

JPRS 76139

30 July 1980

West Europe Report

No. 1604



FOREIGN BROADCAST INFORMATION SERVICE

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FRANCE'S 'NEW' DEFENSE POLICY VIEWED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 7 Jul 80 p 8

[Article by Adelbert Weinstein]

[Text] The French president will also discuss the neutron bomb with the German chancellor. Giscard d'Estaing's visit to the FRG will give the guest the opportunity of informing his host about French national security policy. The Elysee has made three important decisions: France will not abolish the draft nor shorten the time of service. Next, preparations will be made to transport the rockets of the strategic nuclear force on mobile land-based ramps. Submarines will then no longer be the sole nuclear vehicles for long-range weapons (and the bunker systems in the Albion high plateau can be slowly dismantled).

Third, France will build the neutron bomb. However, production cannot begin before 1983. The president has not committed himself to a deadline. For one thing, disarmament talks are not to be endangered by premature announcements. Then there are still difficult developmental stages to be completed after the successful test explosion in the southern Pacific before it can be supplied to the forces. But the comments made by Giscard about the neutron bomb at his press conference are enough to interpret future French military policy: France will complete its military arsenal in the foreseeable future with the new weapon and will carefully adapt its strategy to a changing situation.

This will have consequences for Western defense. The French neutron bomb is shifting military balances. It is the ideal weapon against massed armor attacks. Militarily its use only makes sense when breakthrough attempts on the battlefield by an armored and mechanized enemy are to be prevented. The neutron can therefore be classified only in a limited sense as a deterrent. It is an armor piercing battlefield weapon, whose area of radiation can be graded and limited. From the animated discussion about the weapon the public knows that the neutron bomb penetrates steel and armor. Tank crews are disabled without the attendant destruction of equipment, weapons systems or houses.

If the French army is to be equipped with the neutron bomb, it means that it is preparing for direct conflict with a possible armored enemy. It also means that it no longer expects to wait for the enemy at the borders of France. It must fight this enemy far forward--along the Iron Curtain --if it really wants to use the weapon's advantages.

This concept makes de Gaulle's doctrine outdated. The general banked solely on strategic deterrents. The "force de frappe" was the military and political center of his national security policy. All other kinds of weapons were only satellites in a system revolving about strategic nuclear power. The army and territorial defense of the country played subordinate second magnitude roles.

For some time Giscard has had doubts about the correctness of this concept. De Gaulle's theories are 30 years old. Considerable shifts in power have taken place in the meantime: America no longer has military superiority over the Soviet Union. In its solitary military policy of "all or nothing" France thinks it can by no means rely unconditionally on American protection. Therefore the president wants to undertake the strategic correction that appears necessary to him. Strengthening the classical components of security with the neutron bomb will enable the French army to meet the possible enemy where French security can be served most credibly--in the alliance of the other Western defense forces.

This does not mean that France is returning to integration. It does pre-suppose that the general staffs will cooperate more closely. Giscard's idea reveals considerable advantages for everyone--principally for neighboring Germany. The French contingent, which so far has refused to occupy a "gunslot" in the very frontline of defense, can soon assume an important role at the forward edge of defense--naturally as an army unit under its own commander. There would, however, be disadvantages if the French were the only ones who could operate with "overweight" weapons. The French initiative requires NATO to rethink its strategy. The Americans should be pressed to introduce the neutron bomb. There can be no operational differences in military strength in the center of the European front. The French neutron bomb will also change some of the rules on the battlefield. The French will certainly arm their Mirage 2000 with the neutron bomb and the plane will be intended for tactical use. With the "Hades" France is also introducing a new tactical nuclear vehicle for the ground forces.

Giscard's initiative has set things in motion as far as strategy is concerned. His military-political activity allows a further conclusion: everything has been thought out for the next 5 years. It means that the president is assuming he will be re-elected and the next 7 years will be under his sign. That too must be considered during this state visit and it must be included in Germany's national security policy.

CONSERVATIVE'S WILLOCH VIEWS NORDIC DEFENSE BALANCE

LD150659 Oslo AFTENPOSTEN in Norwegian 11 Jul 80 p 3

[Unattributed report: "The Balance in the North Needs Contingency Stockpiles"]

[Text] When Norway is busy working out plans for the contingency stockpiling of heavier equipment in northern Norway for allied reinforcements in a crisis situation, this is a move that is aimed at both strengthening the West's defenses and reducing the Soviet Union's military supremacy in the area, Conservative Party parliamentary leader Kaare Willoch pointed out in a speech to the European Democratic Union Conference in Salzburg. The union's conference, which has gathered representatives from 20 European Christian Democrat and conservative parties, will end tomorrow.

Kaare Willoch said in his speech: "I am honestly convinced that contingency stockpiling is necessary and desirable, not only on the basis of our own national interests, but also with regard to balance in the northern areas and with regard to the whole of NATO's defenses. When we Norwegians say that these measures are necessary, it is of course not from purely military motives. The reason is the alarming growth in the Soviet Union's military superiority on the northern flank."

In this context the speaker attached great importance to the Nordic balance: "This balance--a more or less accidental result of the Scandinavian countries' different choices of solution to their security problems after World War II--has been of great value for the political and military stability in the area. Today it is natural for all Scandinavian countries to take other Scandinavian countries and the Scandinavian balance into consideration when evaluating the structure of national defense and security policies. If a static concept like the Scandinavian balance is to survive, dynamic developments must be taken into consideration."

"In the course of the last 10 years the continual Soviet troop buildup on the northern flank and in the northern waters has contributed to a reduction in the value of the Scandinavian balance. If we are to preserve it

and to prevent it from becoming a military and political irrelevance, all the Scandinavian countries, regardless of whether they are attached to the alliance or are neutral, must be willing to carry their share of the burden. The defense of Northern Europe depends in particular on a credible defense of the entrances to the Baltic, where West Germany and Denmark play a decisive role. A strong Swedish defense system with a modern air force as its cornerstone has made the task easier for Norway's and NATO's defense planning since it has made it possible to discount the idea that a possible attacker would easily be able to achieve control over Swedish territory."

Unfortunately today there is both inside and outside Sweden a growing concern that Swedish defense capability will be reduced in the coming years. This is as much due to the enormous cost of new, modern materials, as to the desire to grant the necessary funds. Fortunately, Willoch stressed, there have recently come encouraging signs that Sweden is perhaps beginning to stop the rundown of its defense capabilities. It is of the utmost importance both for Sweden's own security and the Scandinavian balance's credibility that these signs are turned into reality.

CSO: 3108

EC COMMISSIONER DAVIGNON INTERVIEWED ON IRANIAN ECONOMIC SANCTIONS

Brussels KNACK in Dutch 11 Jun 80 pp 199, 201

[Interview with EC Commissioner Davignon by Rosanne Germonprez: "EC Commissioner Davignon: Europe, Too, Has Principles, It's True"]

[Text] Along with diplomatic sanctions against Iran, there has been an economic boycott under way in the EC for some weeks now. EC Commissioner Davignon exerted himself strongly at the time to bring the European countries this far.

[Question] The commission has played an active role in encouraging sanctions against Iran. Whence this activism, when political positions are, after all, usually left to the ministerial councils?

Davignon: In the Treaty of Rome the commission got the general responsibility for the cohesion of Europe. If a member country were to take a position on essential questions that was independent of the rest, that could have results for European unification. That is a juridical reason for our becoming involved with Iran. Besides that, we ourselves are a political institution. Just as we can have our own opinion about human rights or about our cooperation with African countries, we can also give our opinion on this matter. We are not technocrats who just carry out only what is asked of us. Furthermore, it is of the highest necessity that Europe discover its own identity, otherwise we will continue to play second fiddle to others politically. I have seen that, too, in the reactions to the sanctions against Iran. A certain group seems to hold the position that we must act this way because the United States is acting this way; others maintain that we must do just the opposite from the United States. In the one case they advocate a blind obedience in the name of solidarity; in the other extreme it comes down to the idea that we can never take the same position as the United States because by definition that position must be wrong. We will remain the victim of that ambiguity as long as we ourselves have not set our objectives and have not made our code of behavior clear.

[Question] In other words, our alliance with the United States is not unimportant?

Davignon: Naturally we have allies, but that is only one aspect of the situation and not a dominant one. In that, we can refer to earlier positions, up to 1973, when there was talk at the European Summit in Copenhagen about this European identity. The joint communique then stated that it is difficult for each nation independently to deal with international problems. The increasing power concentration on the world level among a small number of superpowers demanded that Europe begin to unify and begin to take a unanimous position more and more, if it at least wanted to be heard on a world level and wanted to play the role there that fell to it. That communique also stated that the bonds between the United States and Europe were of importance to both parties but that they could not prevent the nine from affirming their own original identities. That was approved in 1973, even by Michel Jobert, the then French foreign minister.

[Question] The choice of the development concerning which one's own identity must be affirmed generally determines the camp in which one winds up willy-nilly. Isn't that apparent in the case of the American hostages in Iran?

Davignon: The countries which are not superpowers have perhaps themselves the greatest interest in obeying international codes of conduct. In the end it is a matter of an entire habitat which we Europeans have created and modified through the ages in order to arrive at acceptable game rules in international relations. It was quite precisely determined at the Congress of Vienna what the rights of a diplomatic mission are. That provides for the closing of embassies, for the expulsion of diplomats from a country, but hostage taking is not permitted. If the Iranian people want to express their dissatisfaction with a given situation, then there exist other channels and other methods. Our position on this is clear, unambiguous and uncompromising. This principle cannot be adjusted to fit the circumstances. Top, our allies have called our attention to the danger of the situation and asked whether nothing could be done. We have studied the matter independently and decided that in fact something must be done to get the hostages free. We made pacific overtures to Bani-Sadr, which have remained without effect. Then we could not sit with our arms crossed and do nothing more. Thus, economic sanctions were a logical further step.

[Question] Iran has quite rightly laughed at the sanctions that Europe wants to impose. If Iran were to close its oil tap a bit further, we might well feel more pain from that than the Iranians will from our boycott.

Davignon: It is very difficult to measure the efficacy of the sanctions this early. You can only say that anything we might have tried would have been ineffective. But the fact that you have no guarantee that your actions will bear results can be no excuse for doing nothing. We had reached the limit where our credibility could no longer be maintained without taking action. It is impossible to maintain relations with a country that oversteps

all international agreements and continue to let business go on as usual. Then we would be digging our own grave. The same applies to our relations with the Soviet Union. We are naturally in favor of detente. But if the other party seems to have a completely different definition of detente, we cannot continue to sit idly by.

[Question] It would have been possible to manifest this "identity" in a different way. It has already been pointed out that the West's uncompromising line might push Iran more to the East. By agreeing to America's request, it is said that Europe has let slip a chance finally to begin to follow its own, independent policy.

Davignon: From a religious standpoint Khomeyni will find it difficult to begin to defend the position that the Russians are the best defenders of Islamic dogma. Thus the contention that we might be driving Iran into the arms of the Soviets does not apply. As far as we are concerned, I have already also pointed out the importance to small countries of respecting diplomatic immunity. Further, it does not seem to me to be indicated that we should begin to follow a "Realpolitik" whenever a situation arises that does not affect us directly. We cannot begin to apply principles where they fit in with our hand and push them aside if that should be better for us. That is the end of any European position. In 1973, when we affirmed our own identity, we also had a definite type of community in view. We must see to it that we make good on that. There are principles and they must be followed; oil cannot be the answer to everything. Our policies can only earn more respect as long as we hold fast to our principles. If we are ready to accept everything because we are dependent on oil, then we ourselves become hostages. We can determine our own objectives, and in that we can follow our own methods, but we must always do so on the basis of what is acceptable to Europe.

[Question] A certain amount of hypocrisy is ascribed to Europe. We are getting upset about 50 hostages--Americans--but where were the official reactions to the prisoners and those killed under the shah's regime?

Davignon: Sometimes, indeed, we find it easier not to interfere in the internal affairs of another country.... But one wrong is never excused by another wrong. The Iranian Government can hold the opinion that we treated the shah too well. It can also find measures to deal with that. But not this....

[Question] Aren't we losing our sense of proportion? The invasion of Afghanistan was practically cloaked in the mantle of charity, but as soon as one of our own is placed in danger, we are again up on our hind legs.

Davignon: The situation in Afghanistan differs in form from that in Iran. The government in Afghanistan claims to have called for aid from the USSR on the basis of a treaty between itself and the Soviet Union. Thus the Russian presence there is said to be voluntary and legal. It is known that

there is a strong sense of hypocrisy mixed in with that, but they have kept up appearances.

Nevertheless, a majority of countries have condemned the USSR in the United Nations and have determined that they need not send their athletes to the Olympic Games. And in the end, the policy of detente must be looked at once more. The policy of detente was a factor of stabilization in Europe, that could also be seen from the title of the Helsinki Conference, which called for "security" and "cooperation" in Europe. It was made clear then that detente is indivisible. Here, then, lies our responsibility. We can scarcely do anything against Afghanistan; it is a poor country and one with which we have maintained practically no commercial relations. To be sure, with respect to the Soviet Union, we can revise our relations and test detente as to its value. That is a long-term process. In contrast to Iran, here it is not one concrete specific fact to which an answer must be given as soon as possible. The revision of our cooperation with the Soviet Union is a matter of fundamental importance which calls Europe's whole strategy into question. And our reply must be thought through, for the consequences for the future will not be slight. I realize that the reactions may seem to be uneven, but the means differ because the goals are different.

(Question) Wasn't the topic also avoided in order to cover up differences within the European Community about fundamental concerns?

Deighton: Europe is fated to act in concert, otherwise it will destroy itself. Our future power depends on (joint) action, and that reaches much further than Iran or Afghanistan. We may differ about details, but we must have coordinated concerted action. We must do something. Doing nothing in this time of insecurity means the most insecure reaction. That would only be an expression of powerlessness.

Sanctions

On 4 November 1979, 50 [six] members of the American Embassy were taken hostage by Iranian students. The ministers of foreign affairs of the nine EC countries have resolved to take diplomatic and economic sanctions against Iran in two stages in the hope of gaining the hostages' freedom. The following four measures were put into effect as of 22 April [1980] after a council of ministers meeting in Luxembourg:

1. Diplomatic representation in Tehran is to be cut back to a minimum. Belgium has its ambassador and one assistant at its embassy.
2. The number of Iranian diplomats in EC countries is also to be cut back.
3. Iranians must again apply for visas to visit the EC.
4. An arms embargo was instituted.

At the Council of Ministers of Naples on 17 and 18 May [1980], primarily economic measures against Iran were approved which were adopted in Belgium as of 22 May. Exemptions were made for foodstuffs, pharmaceutical products, medical apparatus, goods for which contracts had been concluded before 4 November [1979] and service contracts which were concluded before 22 May [1980].

All of the EC countries have submitted to this resolution: Margaret Thatcher, who had called the loudest for sanctions initially, did not agree with one point, however: to give the embargo retroactive force to 4 November [1979].

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CSO: 3109

EUROPEAN COUNCIL PRESIDENT WERNER DISCUSSES FISCAL PROBLEMS

Zurich DIE WELTWOCHE in German 25 Jun 80 pp 9-10

[Interview with Pierre Werner, Luxembourg's head of government, by Hermann Bohle: "The Small Ones Are Becoming Rebellious"]

[Text] Within a week, Pierre Werner, Luxembourg's head of government and an experienced monetary specialist, will take over the helm of the European Council in the EC. It is cause enough to discuss with him--first of all, economically--the EC stinginess of the "big ones," the common monetary system and the position of Switzerland.

Luxembourg--On 1 July of this year, it will be the turn of the Grand Duchy of Luxembourg to take over the chairmanship in all decision-making bodies of the European Community (EC) for the second half of this year. Pierre Werner, head of government of the smallest member nation, will be chairing the European Council (of heads of state and government) until New Year's Eve--he will not be intimidated again by the financial power of the larger EC countries: Margaret Thatcher, his colleague in the council, had blackmailed the EC into lowering the British contribution by threatening to withhold and keep in London the payments that had legally been transferred to the EC. France's Giscard d'Estaing forced an EC market order for lamb by illegally closing the borders to shipments of lamb. During his interview with WELTWOCHE Pierre Werner stated: "There is a danger that it will degenerate into some kind of a system--all the smaller countries, five of the nine EC nations, will not go along with such practices."

This challenge by the new EC chairman has a timely message. For political reasons--upcoming elections--Germany and France want to delay the beginning of the second stage of development of the European Monetary System (EMS), the establishment of the European Monetary Fund in March 1981. Pierre Werner, whose name is on the "Werner Report" of 1970, which led to the establishment of the first phase by the EC of the European economic and monetary union, is categorical when he states: "The European Council must take up the main points of this question during the course of the year. The reactions by member governments to the existing proposals for the

expansion of the role of the ECU, the new currency unit, and the powers of the European Monetary Fund will be the exact mirror of the political will for a continuation of building a union of European states."

Luxembourg's head of government wants to take appropriate initiatives. It is worth knowing to Switzerland, because it is very much interested in the continuation and consolidation of the largest possible zone of exchange-rate stability in West Europe. The Swiss National Bank is an autonomous participant in the EMS--after all, 50 percent of its exports are headed for the community of nine and 70 percent of the imports originate there. Consequently, exchange rates that are as stable as possible are of benefit to the confederation. There is also a need to prevent an overstated revaluation of the Swiss franc, which in turn would cause sharp price increases for Swiss exports. How is the EMS doing?

Pierre Werner: The System has proven itself and stood the test of the first year. It is structured flexibly and has been equipped with ample funds. The EMS has greater flexibility when it comes to the exchange-rate margins of the weaker countries, for instance, Italy--6 instead of 2.25 percent. It functioned well in consultation. A certain stabilization of the dollar contributed to the success.

WELTBOCHE: During the first year of the EMS, exchange-rate fluctuations were reduced to one-third of the average rate of the preceding 6 years. How stable is the system? Is the fair-weather situation only a result of the relative stability of the dollar--which has nothing to do with the EMS but everything with the cooperation in monetary policies between the United States, Germany, Switzerland and Japan since November 1978?

[Answer] Even if the dollar had continued its sharp ups and downs, the system would have survived the year of 1979 very well in spite of it. One of the reasons is that the governments were inclined to pursue stabilization policies aimed at making use of the advantages of the system. It contributed to a certain stabilization of economic conditions in these countries.

[Question] Really? It is true, exchange-rate fluctuations decreased but the inflation rates spread further apart. Is there a danger of inflationary pressures?

[Answer] There is no doubt that there is a new threat of this danger. Nevertheless, when judging the situation, the main emphasis should not be on inflation rates. They are indeed a strong indicator, can disturb the whole system, but other factors are also involved.

[Question] Ludwig Erhard, the father of the German economic miracle, was not able to sleep at night when the currency was devalued by no more than 2 percent, now the Germans are experiencing 6 percent--is that already an indication of yielding to inflationary pressures within the EMS, must countries with greater stability accept higher currency devaluations within the system to avoid too great a disparity with the other countries?

[Answer] Experience shows that one follows the general trend. It is not a pleasant thought. If the inflation rates continue to rise, I have some doubt about the future of the monetary system. But I also don't know of any other system that could take its place. After all, it has become evident that the same, if not greater disparity would exist if there were no EMS.

[Question] The EMS resolutions of the European Council also contain an invitation to countries not belonging to the EC to join the system in an appropriate manner. Switzerland and Austria are cooperating with the EMS-- is it possible that they are not joining to avoid the inflationary pressure?

[Answer] There are also political considerations--neutrality. On the other hand, I know that already years ago Switzerland was interested in the so-called European monetary system and even steps were taken to join in some manner. In the case of Switzerland, it is relatively easy. I consider her a good partner, no matter in what capacity--a full member or an associate member of the monetary system. It can only be applauded if this leads to a larger zone of stabilization in Europe.

[Question] When the EMS was created, you had not resumed the position as head of government of the Grand Duchy of Luxembourg. On 1 July you are taking over for 6 months the chairmanship of the European Council of the nine heads of state and government. Following the Werner Report of 1970-- will there soon be a new Werner initiative for the consolidation of the EMS?

[Answer] I have always represented the viewpoint that a regionally limited monetary system can only be successful if it is credible, in other words, if governments recognize it and continue to expand it in the same direction. The fact that the second stage of the economic and monetary union was not entered into in 1973--in accordance with the Werner Plan--was proof of a political weakness among the partner states. Now steps should be taken to make sure that those things that were proposed a year and a half ago will be carried out: to enter a new phase in March 1981.

[Question] What do you mean?

[Answer] We know that at that time a European Monetary Fund is to be established. I also know that today objections have already been voiced to meeting this deadline, based on a number of political considerations that are tied in with the elections in our big neighbor countries. Nevertheless, preparations for the monetary system should proceed with speed. The EC Monetary Committee and the Committee of the Central Bank Governors are to present proposals to the governments for those aspects of the monetary fund which have not yet been adequately dealt with. In the meantime, many important things can be taken care of. The timetable should not be questioned without reason. One should stick to it. At any rate, on that date something of substance should be accomplished.

[Question] In what way?

[Answer] The monetary fund can be structured progressively, the foundation can be laid and its development can be planned and regulated. At any rate, the question must no longer be swept under the rug.

[Question] In addition to the French president and the German chancellor, the European Council of heads of state and government has now a third monetary expert--you. Will you discuss this with both of them?

[Answer] I have already introduced to the European Council the theses which I just presented--for instance, the fact that preparations must be continued under any circumstances, in order that decisions can be made from one day to the next. Nevertheless, there has been no response as yet.

[Question] The Werner Report of 1970 provided for the economic and monetary union indispensable, concrete and cogent measures--reaching as far as voting on estimated similar econopolitical lines of development in the partner nations. Cecil De Strycker, president of the Belgian National Bank, made the remark not too long ago that the EMS could make the claim of guaranteeing, on a daily basis, a certain exchange-rate stability. Nevertheless, there is no intention at all to maintain a permanent and firm parity between the different currencies. In the opinion of Strycker, the effectiveness of the EMS could improve, however, if economic conditions in the EMS countries continued to converge.

[Answer] Naturally, in addition to the monetary fund, harmonizing economic policies will have to be tackled again. That is a partial answer to your objection concerning inflation rates. A new approach is needed. At one time, in 1971/72, systems were developed--it is a matter of financing budgets, deficits, which in my opinion is the foundation for real cooperation in fiscal matters. The establishment of the monetary fund must be accompanied by ideas as to how the national policies which are behind it can be better harmonized.

[Question] Is that really possible? There are EC countries, like Germany, Belgium, Luxembourg, which are experiencing currency devaluations of approximately 6 percent, in other countries it is more than 20 percent. There is again talk of a two-level Europe...

[Answer] I believe that an interest in the community can be maintained in spite of the fact that at any particular moment there may not be total agreement or convergence on economic or budgetary policies within the countries. In such a case, it might certainly be possible that those member states, the economic and budgetary policies of which have continued to converge and which have demonstrated a certain attitude toward stabilization policies--that these countries will implement the monetary system to its fullest extent; on the other hand, a special regime could be instituted for those countries that are still having temporary or structural difficulties.

[Question] Does that mean that there will be two speeds in Europe, according to the ability of the partner?

[Answer] It does not frighten me as much as it does other politicians and experts. In 1976, Tindemans (former Belgium prime minister, author of the Report on the Structure of the European Union, ed.) made a reference to the fact that the Treaty of Rome had already contained provisions, according to which existing economic unions can continue, for instance, Luxembourg-Belgium or the Benelux countries--which indicates that a Europe of two speeds is already in existence.

[Question] The expansion of the EC to Greece, Portugal and Spain means that the community, which to date consisted of advanced industrial nations, will also accept developing countries. As a consequence, it will not be possible to avoid the existence of a two-level Europe...

[Answer] ...that is my firm conviction

When French President Georges Pompidou received in 1970 the Werner Report on the formation of the European economic and monetary union, which had been prepared by such highly qualified monetary experts as Clappier, who later became governor of the Banque de France, and under the leadership of the politician Pierre Werner, the man on the Paris Elysee was furious: Provisions included in the report, such as, for instance, the right to raise objections to one another's formation and financing of state budgets, went totally against the grain of the Gaullist.

"All that is now again rising to the top," the Luxembourg head of government stated during the interview. France's Gaullists are already sounding laments because currently valid EMS resolutions are including the release of gold and foreign-currency reserves--it is unconstitutional, is the cry from Paris. In Bonn there is concern about the independence of the German Bundesbank when the EMS Federal Reserve System with its European Monetary Fund goes into effect.

After the elections in Germany (October 1980) and France (April 1981), the formation of the EMS will continue: It is the only way in which a practicing economy can preserve confidence in the exchange-rate stability and thus create a beneficial atmosphere for boosting the economy. Will Werner as president of the European Council during the next 6 months have the foresight to demand decisions that will be acceptable to all partners--in other words, will he not go too far?

8991

CSO: 3103

TRADE IMBALANCE BETWEEN EC AND JAPAN INCREASING

Zurich NEUE ZUERCHER ZEITUNG in German 18 Jun 80 p 15

[Article by ec: "Growing Trade Imbalance Between EC and Japan;" passages enclosed in slantlines printed in italics]

[Text] Tokyo, June--In Tokyo, complaints by the EC are increasing about the growing trade imbalance between Japan and the member nations of the European community. Especially in recent months, the uneasiness in Brussels has grown since /Japanese exports to the EC territory have risen sharply/ and, on the other hand, imports from EC countries showed almost no gains. As a consequence, problems are facing the Japanese government that are similar to those which for years have been straining relations with the /United States/, especially since the EC is now considering the increasing penetration of European markets with Japanese /automobiles/ and /color television sets/ the most visible stumbling block.

Japanese Export Successes

Last year, when the Japanese export industry was flourishing in almost every area because of a weak yen on international foreign-exchange markets, /exports to the EC territory/ increased to \$12.69 billion. The preceding year, they amounted to \$11.10 billion and in 1977 only \$8.74 billion. Consequently, the importance of the EC as an export market for the Asiatic island nation has risen steadily since 1977. The percentage of Japanese sales to the EC, in proportion to their total exports, has risen from 10.9 percent to 12.3 percent.

On the other hand, enterprises from EC countries are also recording increasing successes. As recently as 1977, exports to Japan amounted to no more than \$4.19 billion; in 1978, the volume had already increased to \$6.07 billion and in 1979 even to \$7.58 billion. Thus, EC member nations raised their /share of Japanese imports/ from 5.9 percent to 6.8 percent, although the cost of Japanese imports had risen enormously, primarily as a consequence of petroleum price increases. It was not enough, however, to prevent an increase in the foreign trade imbalance between the EC and Japan. During

the last 3 years, Japan recorded bigger and bigger /surpluses/, which in 1977 were only \$4.55 billion, but in 1979 they were already \$5.11 billion. To be sure, last year's increase from \$5.03 billion to \$5.11 billion left some hope among EC countries that the foreign trade position might improve. But already toward the end of 1979 /Japanese exports/ to Europe were again /growing at a rate way above average/. Last year, the EC deficit with Japan was almost as high as the American deficit, although trade between the United States and Japan is /more than twice the volume/.

Finally, the trend toward a growing imbalance is becoming apparent when one takes a look at the Japanese foreign trade figures of the first 4 months of the current year. Until April, /Japanese exports to the EC territory/ amounted to \$4.72 billion and, thus, are 18 percent higher than they were at the same time last year. Simultaneously, /goods originating in the EC countries/ rose by only 3 percent to \$2.39 billion. The balance of \$2.33 billion is 38 percent higher than it was last year.

'Auto Problems' Also With Europe?

When dividing Japanese exports to Europe by category, the /growing importance of automobiles/ becomes apparent. In 1979, auto exports to the EC territory amounted to \$2.16 billion; in addition, motorized imports reached almost \$0.4 billion. Last year, Japanese automobile producers sold as many as /645,000 motor vehicles/ in the European Community; for 1978 and 1977, sales amounted to 538,000 and 502,000 respectively. During the first quarter of the current year, this development has become even more pronounced, because during these 3 months alone as many as /201,000 Japanese cars/ found buyers in EC countries.

The other way around, European auto producers are having a difficult time on the Japanese market, which is quite apparent from the fact that last year only /45,000 motor vehicles/ were exported. As is the case with car-makers in the United States, European producers are complaining again and again about various /Japanese trade barriers/ in the automobile sector. /Continued liberalization/, which no doubt would be appropriate, would, nevertheless, bring about only a /marginal increase/ in market opportunities for European cars in Japan. To be sure, according to producer statements, autos from Germany, France or Italy may be technically more advanced or visually more attractive than Japanese products; nevertheless, the /difference in price/ is still so overwhelming that, at best, /considerations of prestige/ might be the reason for purchasing a European car in Japan.

How much the European automobile industry fears a Japanese offensive was noticeable not long ago in Italy, when Alfa Romeo tried to establish a cooperative effort with /Nissan/. To date, /Fiat/ has been able to prevent an agreement of cooperation between the two enterprises, by pointing again and again to the fact that, after all, such an agreement would be equivalent to opening the back door of the EC market to the Japanese automobile industry.

'Unloved' Television Sets

Another product that has given rise to complaints by the EC is Japanese color television sets. They are finding their way into more and more European households. Apparently, Europeans fear that in this area, as happened with automobiles, the Japanese competition will sooner or later take over. In this respect, it is not out of order to draw a parallel to American-Japanese frictions. Furthermore, West European economies are looking back on a number of examples from the past when Japanese exporters simply /swamped/ the European market and/or outperformed their competitors from EC countries on /third markets/. This applies particularly to the entire field of /entertainment electronics/ (so far television sets are still excluded) and the optical industry, both of which were at one time a European domain; today, however, European producers have to be satisfied with the production of /a few specialities/. Last year, Japan exported to the EC territory optical equipment valued at \$1.29 billion; it consisted primarily of film and photographic cameras.

Whereas during the 1960's and the early 1970's, the Asiatic island nation was accused again and again of /lacking the ability of innovation/--which, however, did not influence the flow of trade--today's Japanese industry must certainly be credited with much greater independence. Many items that carry the imprint "Made in Japan" are no longer copies of Western products. As an example, the home video-set industry may be mentioned here; although these sets are fast gaining in popularity in the United States and in Europe, no major company outside of Japan has as yet started production. Consequently, Japanese companies are currently enjoying a monopoly which they did not seek but which is quite profitable.

Whether it is a case of inability or wrong assessment of market opportunities on the part of foreign competitors, will not be discussed at this time. Nevertheless, one thing is certain. The Japanese industry has established itself in a realm that shows /great growth potential/ and might produce very high profits. Considering this factor, it is possible that very soon there will be a new /area of tension in trade policies/ between Japan and the other industrial nations.

The reason why Brussels is so annoyed, however, is not only the fact that Japanese producers are so successful in foreign markets but also the fact that European enterprises /to date have been unable to be equally successful in Japan/, which, in turn, is attributed to the /lack of consideration/ by Japanese authorities when issuing /import licenses/. According to a statement from Brussels--not without suppressed threats--there is absolutely no /reciprocity/. Last year, exports from the EC territory to Japan consisted primarily of chemical products (\$1.53 billion), food (\$904 million) and textiles (749 million). The first two product groups are still showing positive growth rates, whereas textiles as well as steel products--at one time the mainstay of European industry in Asia--are more and more being replaced by domestic products.

No doubt, within the spirit of /peaceful coexistence/ in world trade, the Japanese government will listen to the admonishers in Brussels. The same interpretation must be applied to the recent talks in Tokyo which are to be continued in the near future. /Nevertheless, all that can be expected/ is appeals to domestic enterprises /to use some restraint/ in the export business and agreements to facilitate imports for European producers and assistance in opening markets, because the present Japanese trade and balance-of-payments situation is not sufficiently favorable to allow too much "generosity" toward trade partners. As a consequence, the government policy toward the EC will probably be a tendency to accept the wrath of the trade partners, but to give in to pressure--with /substantially verbal and modest material concessions/-- at any time when the Japanese export industry might have to fear protectionist steps. This tactic--which has already been used often and successfully when dealing with the United States--must be kept in mind when Japanese government delegations travel to Brussels with their heads lowered or when EC representatives are received in Tokyo with Asiatic submissiveness.

RV91

CSOI 1101

ARMY INSPECTOR GENERAL SHARPLY CRITICIZES MANEUVERS

AU071302 Vienna KURIER in German 5 Jul 80 p 2

[Summary] In his report submitted to the National Defense Council on 4 July, analyzing the recent Austrian Army maneuvers, especially the large maneuvers of last fall, Austrian Army Inspector General Hubert Wingelbauer criticizes inadequate antiaircraft and antitank equipment, inadequate training standards of lower-echelon commanders, and the inadequate motivation of reservists. In this context he broached the topic of the state treaty ban on missiles, noting that in both antitank and antiaircraft defense there are hardly any alternatives to these weapons.

The report notes that the big fall maneuvers showed two serious shortcomings that are hampering the building up of a functioning territorial army: The inadequate training of lower-echelon commanders, which is gradually becoming the central problem of the territorial army, and the lack of proper defense spirit on the part of the reservists. Although those who participated in the maneuvers, which took place under the most adverse weather conditions, showed high morale, there was a very high percentage of reservists who had been called up for the maneuvers but did not participate in them for one reason or another. The report complains that the reservists and their employers seem to be very little aware of the purpose and the function of a militia-type army."

Defense Minister Otto Roesch apparently has not found any way of effectively coping with this problem. He reportedly told the Defense Council on 4 July that at cadre exercises there are frequently nonattendance quotas of up to 35 percent.

CSO: 3103

AKEL'S POSITION AGAINST PRESIDENT KYPRIANOU ANALYZED

Athens I KATHIMERINI in Greek 3 Jan 80 p 6

[Article by Ploutis Servas: "AKEL's Plenum Decision a 'Political Leap'"]

[Text] When I was writing my recent article I could not imagine that a storm was gathering at AKEL's office and was about to break in 5 days. We characterize it as a "storm" for we do not want to believe that it will change into a shipwrecking tempest. We do expect that tranquility will prevail again.

For those outside impervious AKEL, the decision of its plenum was unexpected. No earlier event had hinted at such action. During the 20-year life of the Republic of Cyprus, AKEL had supported the government patiently and, one could say, responsibly. It was supporting the presidents of the Republic--Makarios, interim Kliridis, Kyprianou. In the House of Representatives it had opposed the majority very rarely (two or three times during the 20-year period). It has clashed and still clashes with the Lyssaridis party (similarly leftist) inside and outside the House of Representatives. But it has never clashed with the party that expressed the official government policy--not even when the question came up in the House of Representatives to honor General Grivas-Digenis. Lyssaridis was isolated and he cast aspersions on the AKEL Central Committee.

There is no precedent for such a policy of accommodation in the European history of communist presence in parliaments. Even in the elections for deputies AKEL maintained its *suis generis*. It did not contest for the number of house seats its electoral potential could secure it. In the 1960 elections Makarios offered AKEL only 5 seats out of 35. After some superficial bargaining AKEL accepted this number and no election took place. Later it felt satisfied with 8-9 seats. In the various election districts it limited the number of its candidates to this figure and won very easily. It also "assisted" its...enemies in winning seats. In the 1976 elections it could easily have won the majority of seats. Yet it limited them to 10 and helped the Kyprianou and Lyssaridis parties. It even helped independent Tasos Papadopoulos (since he was Makarios' choice) who had no party strength at all and who received more votes than any other

candidate. No one ever disputed the fact that AKEL made the Democratic Party [ΕΔΕΚ] (the Kyprianou party) emerge as the party of absolute majority. It was the AKEL assistance to Kyprianou that forced Kiriakos not to be a candidate in the post-Makarinos presidential elections and thus Kyprianou became president without opposition. All these facts are known and are understood and appreciated by many people.

The foundations of such a policy were the national liberation of the AKEL positions which proclaimed: At its present stage the Cypriot struggle is not a social or a class struggle; it is national. Its basis is the united, all-people's aggressive front. It was in this spirit that AKEL taught and trained its followers who obeyed fanatically. It never took an opposing stand. Even when some AKEL deputies came out in support of interim President Kiriakos, advising him that "a good captain should withstand the load of all illegal criticism"--even then AKEL's followers were applauding.

During this long-time AKEL policy, many of its fanatic opponents were expressing their suspicions and distrust, saying: Wait and see! But these fanatics, too, became less suspicious when they recently established the fact that contradictions between AKEL and Kyprianou's United Democratic Union of the Center [ΕΔΕΚ], which adopted extreme positions, were becoming worse. And they began saying that the responsible AKEL national liberation policy would continue until a final solution was achieved.

It is for this reason, therefore, that the plenum's decision dropped like a bomb and the reasons for its explosion should be sought out especially because the abundant arguments the plenum gave in its long announcement are not convincing at all. They cannot convince even the plenum itself--on the contrary, they expose it irreparably. The president of Cyprus, in analyzing this decision, said in his announcement:

"I cannot explain AKEL's attack against me. I continue to think that there is a misunderstanding. But about what? We cannot pinpoint any misunderstandings because we do not have any available information. The 23 August 1979 recommendation by the UN secretary general which, as the plenum states, was accepted by Denktash on 1 October, is a recommendation which was rejected repeatedly by everyone and which AKEL repeatedly characterized as unacceptable."

Other, more substantial reasons, therefore, must have forced AKEL's Central Committee to take such an explosive and irresponsible stand toward its steady 70-year course. We must learn these reasons in this new situation with its consequences that began making their presence in Cyprus and which are expected to become more acute.

Station of American Accommodations

The explosive situation in south central Asia and the symptoms of apathy among America's west European allies, contrary to the hard American policy, have imposed on the latter the imperative "duty": to secure a strong triangle in the entrance of the "explosive" area. It is the Egypt-Israel-Turkey Triangle. Cyprus is to become a station of any American accommodations while the Aegean will always be considered supplementary. For the establishment of the triangle the United States already has had enviable successes. They may have paid very dearly but they have won Turkey completely. Sadat is the faithful servant, while Begin insists on the "hard nut" policy for internal consumption. But for the United States he is not as hard as he tries to appear. He is already facing a counter force in Aisman who is extremely moderate and who, if the need arises, will do better with Sadat on controversial matters. The Far East entrance to the "explosive" area was ensured with the visit of Chinese Vice President Geng Biao (Jiar) to Washington where it was decided to supply China with American arms.

All that remains now for the Americans is to secure a "station of accommodations" on the aircraft carrier "Cyprus." And their man, besides Denktaş of course, is Kliridis who recently has been extremely active. He goes to Karpasia trying to persuade the refugees especially that he is the only realist, the only Cypriot politician who can bring about a solution. He goes to Athens and Salonica and propagandizes for the American plan albeit he omits some of its details. Such activities can broaden the Kliridis base. For this reason he peddles slogans about early elections for deputies and for the president of the Republic.

On the other hand, the slackened world economic crisis has amassed problems in small Cyprus and has created additional troubles such as the crisis in cooperatives which has had a distressing impact on the refugees and especially on the government. It is evident that all these events have weakened the government which from its very beginning was on crutches. It is all these things, moreover, that have scared the Kremlin and AKEL which must be feeling the increasing danger of Cyprus becoming an American protectorate. On the other hand, they saw that with Tito's death the nonaligned nations, among which also is Cyprus, do not have the strength they had earlier albeit numerically. Already the cohesion of the nonaligned nations has begun eroding according to the Kremlin. Jimmy Carter rushes to Belgrade. His blunders make him harder and indecorous. He gets angry becauseiscard d'Holting meets with Leonid Brezhnev or because Chancellor Schmidt will go to Moscow. He is annoyed when the Europeans show interest in international problems which he considers to be under his jurisdiction only, or because he thinks that only he and his advisors have the right to chart an exclusive policy concerning such problems, while his improprieties are increasing because the American frenzy rewards his clumsiness.

These are the events which have facilitated the plenum of AKEL's Central Committee in taking the unexpected leap: to slow down Kliridis since it

believed or was compelled to believe that the Kyprionou policy was not sound; but to slow down Kiriakos (and to repel him) in such a way as to ensure the Soviet position in the area while ensuring also that the Kremlin "assistance" to the Cypriot people did not displease the Turks. It is exactly for this reason that Kyprionou is accused of losing opportunities for being unyielding and it is for this reason that AKEL is asking for understanding and further reconciliation with the Turkish position.

Thus, after a quarter of a century, the AKEL flag for a unified front is thrown into the mud and the plenum "decided with regret that AKEL is urgently facing the question of separation of responsibilities" while its Political Office called for a Pan-Cyprian demonstration at the Eleftheria (Freedom) Square on 10 June.

But what is more tragic for AKEL is that with the leap it has taken at this moment it has found itself embracing the Kiriakos political party DISY [expansion unknown], in the same bastion even if both attack with different types of arrows provided them by patrons on opposite sides. Thus, both parties are helping the Turkish positions. One more thing! The plenum decision serves without fail the American plans to convert Cyprus into a protectorate. For it would be the height of stupidity for AKEL to believe that it could save Cyprus with its own forces with "Soviet support."

We want to believe that even at the last moment wisdom will again prevail among those who during the period of the great domestic crises moved forward heralding unity and forging together all national forces of the struggling people.

PRESIDENT VIEWS ECONOMIC SITUATION

Nicosia CYPRUS MAIL in English 3 Jul 80 p 1

[Text] **PRESIDENT KYPRIANOU AT A WIDE-RANGING CONFERENCE IN NICOSIA YESTERDAY CALLED FOR A SOLID ECONOMIC FRONT, AND SAID THAT THE GOVERNMENT AIMS AT THE SHAPING OF AN ECONOMIC POLICY ABOVE ANY PARTY CONSIDERATIONS WHICH WOULD COMMAND UNIVERSAL SUPPORT.**

The meeting, which took place at the Presidential Palace, lasted three hours and was attended by members of the Council of Ministers and senior officials, representatives of trade unions and farmers organisations, employers and employees and consumer protection organisations, reviewed the present economic position and exchanged views about measures to be taken.

President Kyprianou in an introductory speech surveyed the economic scene and stressed that Cyprus will continue to follow the system of mixed economy, supporting and encouraging private initiative but not hesitating to intervene where private initiative is unable or unwilling to play its proper role.

The President noted that part of the problem being faced is «imported» and Cyprus could not be an exception, adding that despite the invasion and its effects it has a record of stability and development better than that of several other countries.

He believed, he said, that there are solutions which could lead to easing the effects of international economic disorder and offsetting to a great extent the causes which are due to local factors.

Budget cuts

...I believe that if it is up to us to restrict to the minimum any adverse effects, the P.E. has decided.

President Kyriakou announced that he has given instructions for the reduction by 10 per cent. of backward expenditure but assured his listeners that this would not affect basic development projects.

The widening trade gap would not be worrying if there was not a relative slump in consumption of domestic goods and slowdown of exports, which are essential for development, the President said.

But he stressed that exchange reserves continue to be maintained at adequate levels and there was no need for panic.

The government policy aimed at attaining the highest possible rate of development compatible with maintenance of internal and external monetary stability, he said.

Measures

Among the principal measures being taken by the government were:

1) Increase of productivity. Encouragement of investment in capital - intensive industries and rational organisation of productive units.

Contrary to the reactivation period of 1974/75, he said, further development must be based on the increase of productivity. The government intended to announce incentives on a selective basis and privatisation of public companies and the setting up of a stock exchange.

2) Exports promotion.

The limited size of the local market demands that further development must rely on the expansion of exports and ways are being explored in this direction.

3) Curb of overconsumption and increase of savings.

4) Combating of profiteering.

5) Measures to counter tax evasion.

6) Fight against inflation, including formulation of a prices and incomes policy applicable to all sides.

The President announced in this respect that the government is to set up a Prices and Consumers' Protection Department under the Ministry of Commerce and Industry.

Consumerism

Finally the President made another plea to the people to avoid consumerism and self-indulgence and promised that the government is determined to collaborate with the representatives of all classes for a sound economy, reliance on the

response of the people for a tripartite cooperation of government, employers and employees, which had been responsible for the good results so far.

After views were exchanged and various problems pinpointed, the further study of the situation was left to be pursued through the Economic Advisory Committee which works under the Minister of Finance and on which all classes are represented.

During the meeting yesterday the President announced that the Greek Prime Minister, had, during Mr Kyriakou's last visit to Athens, agreed to raise the Greek government grant from 1,000 million drachmas (CC8 million) to 1,250 million drachmas (CC10 million) to the Cyprus government for the current year.

PRESIDENT URGES MORE EFFICIENT SERVICES

Nicosia CYPRUS MAIL in English 8 Jul 80 p 1

[Text] **PRESIDENT KYPRIANOU YESTERDAY STRESSED THAT BUREAUCRACY MUST BE COMBATED OR AT LEAST REDUCED TO THE MINIMUM.**

«The Council of Ministers will examine ways and means for government services to work unimpeded so that unjustified delays can be avoided», the President declared.

The President of the Republic was speaking at a wide meeting at the Ministry of Communications and Works with which he launched his planned visits to the various Ministries for first hand acquaintance with the work being done and deciding how it could be accelerated.

He will visit the Ministry of Agriculture and Natural Resources tomorrow and on Monday he will be at the Ministry of Interior.

The meeting yesterday at the office of the Ministry of Communications and Works was attended by the Minister himself Mr. Maricos Eliades, the Director General of the Ministry Mr. P. Kazamias, the Chairman and Directors-General of the Cyprus Telecommunications Authority, of the Ports Authority, of Cyprus Airways. Also present were various departmental chiefs.

After an address of welcome from the Minister Mr. Maricos Eliades and an introductory speech by President Kyprianos, the Director General Mr.

P. Kazamias outlined the activities of the Ministry in the field of communications — land, sea and air — telecommunications, postal services, merchant marine, public works, including road network, antiquities and electro-mechanical services.

Mr. Kazamias referred, among others, to the endorsement of the international convention for international road transport (TIR) and the bilateral agreements which Cyprus signed with 13 European countries for the transport of Cypriot products through these territories with Cypriot vehicles, thus saving or earning foreign exchange.

Transport legislation is being revised to bring it into line with the European Com-

munity legislation about sizes and payload. Mr. Kazamias said and announced that fees for mechanical inspection will be imposed which will provide a revenue of £500,000 annually.

There has also been improvement in the arrangements of local transport so that commuters can use them with resultant fuel saving, he said.

Ports Authority

On the question of sea transport the Ministry is considering inviting experts to study the whole matter, quite apart from the improvements of Cyprus seaport facilities conducted through the Ports Authority.

Increased storage space, container and abolition-Roll-offs (Ro-Ro) services are being provided and the Authority's development programme is estimated at £16 million of which £8.5 million has already been secured in the form of loans from the World Bank.

About air communications, Mr. Kazamias said that Cyprus now has 25 bilateral trade agreements of which 18 are fully activated and Cyprus is having air links with ten other countries with which no air agreements have been concluded.

In addition to Cyprus Airways eighteen foreign airlines have regular flights to Cyprus and there are chartered flights offering inclusive tours to visitors from West Germany, Scandinavia, Finland, Netherlands and Switzerland.

Postal services

in its communications. Mr. Karaman reflected in the early morning station which will be connected with those countries of the world.

The Postal services he said said the home delivery scheme will be widened whilst in the post office there will be an extension of the agreements for postal orders, exchanges and sales of stamps for philatelic purposes.

About the merchant marine Mr. Karaman said it was planned to post Cyprus inspectors of vessels at ports where there is substantial traffic of Cypriot vessels both for service and control.

Problems

Regarding Public Works Mr. Karaman said that the Government has a budget of £15 million a year and among its present tasks is the planning of the new Paphos Airport.

One of the main problems being faced by the Ministry, the Director General said was inadequate staff levels as well as inadequate funds for vital works and for personnel, re-training.

Complicated and outdated operation restrictions and over-regulation at all levels also caused problem.

BANK EMPLOYEES CONFRONT GOVERNMENT

Nicosia CYPRUS MAIL in English 8 Jul 80 p 1

[Text] **T**HE Cyprus government yesterday made a new appeal to Bank employees to drop their objections to the new wage-related supplementary social insurance scheme and allow it to work in a universal manner.

However the Bank employees maintained their demand to have the retirement benefits secured through their Provident Funds with the Bank employers safeguarded.

The government in its statement said that 200,000 working people and self-employed, members of trade unions and professional organisations are supporting it with the exception of 2,000 Bank employees who demand to be accorded privileged treatment.

At a meeting last Friday the Minister of Labour, the Minister of Finance, and the Secretaries of the Pco and Sok Unions explained to the Bank Employees Union (ETVK) representatives the benefits and advised them to accept it and pointed out that any exemptions would be to the disadvantage of those who are left out besides causing difficulties to the scheme itself.

The aim of the new scheme is to secure adequate and effective protection for the working people and society as a whole against some fundamental social risks, the government statement said adding that provident funds are only saving schemes.

The government also disagreed with the interpretation that the scheme affects any acquired rights, unless the term is used in a wrong sense.

In an effort to convince the Bank employees to drop their objections, the government said that all reservations will be carefully considered after the scheme has had the chance of working for a reasonable time.

Official experience shows that the Bank employees or any other class is adversely affected, compared with other classes, efforts will be made to redress the wrongs, it said and underlined that already 45,000 pensioners are facing serious economic difficulties and there should be no further delay.

The Bank Employees Union (ETVK) views on the other

hand are contained in a memorandum they delivered to the parliamentary committee dealing with the matter.

Employers benefit

The memorandum gives specific examples of how Bank employees will be made to pay higher contributions without adequate corresponding benefits.

Moreover, it claims that the new scheme offers serious advantages to employers at the expense of their employees and points out that the self-employed are allowed to pay on uncomputed incomes which they themselves choose, and therefore they themselves choose the amount of their contribution.

About the promise that the social insurance retirement benefit will be equal to 60 per cent of the salary, the Bank employees says this will come about only gradually and that the first to have that benefit will be 40 years from now, in the year 2021.

Another point made by the ETVK is that the Fund may be turned into an economic instead of a social measure to restrict local demand and investments to cover deficits.

BANK EMPLOYEES OPPOSE NEW SOCIAL INSURANCE PLAN

Nicosia CYPRUS MAIL in English 10 Jul 80 p 1

[Text] **THE DISPUTE BETWEEN THE BANK EMPLOYEES UNION (ETVK) AND THE MINISTRY OF LABOUR OVER THE DEMAND OF BANK EMPLOYEES FOR 'PROTECTION OF ACQUIRED RIGHTS' IN THE PROPOSED WAGE-RELATED SUPPLEMENTARY SOCIAL INSURANCE SCHEME REMAINED DEADLOCKED YESTERDAY AND AN INDEFINITE STRIKE AS FROM MONDAY SEEMED INEVITABLE UNLESS THE HOUSE OF REPRESENTATIVES INTERVENED.**

A hint about this is made in a statement from the Bank Employees Union (ETVK) which said that it had a meeting yesterday with Mr Alecos Michaelides, the President of the House of Representatives where the relevant bill is now tabled awaiting to be debated.

The Ministry of Labour and Social Insurance in an austere statement yesterday told the Bank employees that their strike will not sway the government's decision to press for the early enactment of the scheme without granting to them the exemptions they demand, and appealed to them to reverse their decision.

The Employers Federation and the two major labour federations, the Peo and Sek have also appealed to the Bank employees to drop their objections and suggested that the Bank Employees Union should be content with a statement to be made in the House that a thorough examination be

thorough examination be made and if it was found that 'acquired rights' were really jeopardised there should be an amendment to the law.

The Bank Employees Union statement made no reference to the appeals of the labour federations and their suggestions but said that there was still time for the Labour Parliamentary Committee and the

House of Representatives to pass a timely amendment of the bill to safeguard the acquired rights of the Bank employees.

Banks were closed yesterday and will remain closed today owing to the two-day warning strike of the employees who will return to their jobs tomorrow and Saturday but, unless there is a change of circumstances, they are coming on an indefinite strike on Monday.

The Labour Ministry in a statement yesterday repeated that the Ministers of Labour and of Finance as well as the leaders of the Peo and Sek labour federations had already assured the Bank Employees union that the scheme is viable and beneficial for all working people, ensures equality of treatment between the various classes of employees and as between employees and between employers as regards contributions to provident and pension funds and in no way jeopardises acquired rights of any contributors.

Serious

The Ministry regretted the decision of the Bank Employees to go on strike because, it said, whilst the strike is not going to alter the

Government's stand on the question of the inclusion of Bank employees in the Scheme, it does seriously affect the economy and the whole Cypriot people.

The Employers Federation on its part deplored that the ETYK with its attitude has delayed the introduction of the scheme and said that the Bank Employees views have not been convincing.

The Federation described the ETYK action as a selfish attempt to secure special treatment and benefits beyond those safeguarded for all other workers and condemned the strike as unjustified and harmful for the economy.

The two labour federations Peo and Sek, in a joint statement said that the enactment of the new scheme should

not be delayed any longer and that already 10,000 persons have been wronged by being deprived of the right to join the scheme if it were introduced earlier and 45,000 persons have been deprived of the chance of a better retirement benefit whilst 2,500 more people will be affected if the delay is continued.

The two Unions say they have not been convinced about the claim of the Bank employees that their acquired rights are affected but in order to help things they will propose the following declaration to be made in the House when the bill is debated:

To have the law enacted and put into effect without delay and without exception, but immediately it is enacted consultations shall continue with ETYK, the government and the House, with the participation of actuaries, to find out if the law provisions violate any acquired rights of any class and if this is found the law to be amended.

Our federations appeal to the ETYK to respond to this appeal and we assure them that if it is found that the interests of their members are affected, we shall stand by them.

Appropriate

The Bank Employees Union (ETYK) in its statement said it was not against being incorporated in the scheme but only demanded safeguard of their acquired rights.

The amendments they sought, the ETYK said, does not affect the viability of the scheme or its benefits and universality.

It went on: "There are the appropriate organs, the Labour (Parliamentary) Committee and the plenary House of Representatives before whom the bill is now tabled and there is time for timely amendment of the bill so that the acquired rights of Bank employees can be safeguarded."

The ETYK added that in an attempt to this end it had a meeting with the House President to whom it explained the dispute.

WARNING TO GOVERNMENT EMPLOYEES

Nicosia CYPRUS MAIL in English 8 Jul 80 p 1

[Text] **P**RESIDENT Kyprianou has given a strong warning to public servants that the Government will deal more strictly with their behaviour and output in the future.

«Public servants must devote themselves with zeal to their jobs. Those who are not willing to do that, let them resign.

There will be serious sanctions against those who use their posts for selfish interests, the President said.

Speaking at the meeting at the Ministry of Communications and Works, which was the first of similar visits to other Ministries, Mr Kyprianou said that public servants must be public servants only and nothing else.

They must not engage in anything else than their service and there must not be even gossip about bribery.

Behaviour

The President said he was not saying that in order to criticise anybody and he was sure that the great majority is fully aware of its responsibilities.

But if there is any minority which is not loyal to these principles, it must give its

place to others who are determined to work with zeal for their country, he said.

«From now on the question of behaviour, collaboration and output of public servants will be judged much more strictly than in the past, the President said.

The Minister of Communications and Works Mr Eliades in his address assured the President that the Ministry's officials are all dedicated to their jobs and would continue their contribution to the government's task.

MAYOR OF LARNACA PROFILE PUBLISHED

Nicosia CYPRUS MAIL in English 6 Jul 80 pp 1, 2

[Text] **L** EONIDAS Kioupis, the Mayor of Larnaca unusually for a Cypriot, has his roots in equatorial Africa. His father was a coffee planter in the Belgian Congo (now Zaire).

He himself spent most of his adult life in the steamy heat of the Congo, where he played a prominent part in building up a large and prosperous family business.

Had his situation not become untenable because of political developments, he would still be there.

Kioupis has lived in retirement in Cyprus since 1966. He became Mayor of Larnaca in 1975.

The experience of running a big and diversified business in a foreign country seems to rub off onto his style of work at the Town Hall.

He tends to think big when it comes to find solutions to Larnaca's problems, and this is no bad thing considering the phenomenal growth of the town over the last six years.

Leonidas Kioupis was born in the village of Kilani, near Limassol, in 1916. His forebears had been farmers.

After attending the elementary school in Kilani, his father, who owned plantations some distance from Stanleyville in the Belgian Congo, arranged for him to live with friends in Larnaca to pursue his studies at the Pancyprian Gymnasium.

He showed a special aptitude for commercial subjects and economics while at school, and his father wanted him to have a university education in France when he finished.

But it was not to be. The family business in the Congo in those days was still quite small, and the funds for further studies were not forthcoming.

At the age of 19 he went out to Africa to join his father's business. For a time he worked with him on the coffee plantations.

Then his father enabled him to start his own business, trading palm oil and manufacturing soap.

He also established an import-export firm. His headquarters were in the town of Paulis, north of Stanleyville.

Paulis was an important railway junction in days when everything was transported by train. There he stayed without returning to Cyprus for 13 years.

When he did finally return to the Island for a holiday he got married to a Larnaca girl who then accompanied him back to Africa.

Meanwhile his brother had joined him and the family firm in Paulis. They were to remain in partnership till 1966.

The arrival of his brother in Paulis had sparked off a great expansion of the business. New branches of the firm were established, and

the brothers branched out into bookshops, printing works and coffee processing.

The plantations were also expanded. Eventually they were employing 25 expatriates and 1,000 local staff.

There was a thriving Greek community in Paulis, numbering about 4,000, so much so that foreigners often assumed the whole area was inhabited by Greeks.

Kioupis became president of the community, a position he held for 15 years, watching over the social and cultural activities of Greeks and Cypriots. He would have liked to set up a Greek school for the town.

He was also an active member of the Lions Club, and on the area's board for commerce and industry.

Meanwhile he remained in touch with leading personalities in many European towns he had visited during the grand tour he had carried out after his marriage.

1960 saw the outbreak of civil war in the Congo, newly independent from Belgium, and the secession of the richest province, Katanga, where Kioupis' firm operated.

The country was to remain unsettled for several years, until the secession of Katanga was finally brought to an end.

When peace and stability were restored, the price had to be paid by the white settlers in the Congo (now rechristened Zaire).

★★★
The property was not high, and much of the value was lost. The property was lost, among them the Kioypis. But the Kioypis, who stayed in the country until 1972, when the whole of his property was confiscated.

At that time his brother was running business in the country, including two coffee plantations, and about 50 houses and shops.

The production of the estate, which alone would be valued at today's prices at about £5 million per annum.

The properties were confiscated without compensation.

The Kioypis family still hopes that one day there will be some compensation and that some of them at least will be able to return to Africa.

When Kioypis returned to

Cyprus he was able to build some shops in Nicosia and an orange garden in Phassouri, near Limassol, and so live in semi-retirement, concentrating on the administration of his business interests.

He chose to live in Larnaca, for which he had always retained a strong affection.

Doubtless he felt his capacities were not being fully utilised. At any rate the post of Mayor of Larnaca, which was offered to him in 1975, would seem to be exactly the kind of job a man in his circumstances and of his years needed.

There he could plan and manage, and serve the community. Fortunately he was able to accept the responsibility on the customary honorary basis.

What are the problems facing him as Mayor of Larnaca? Kioypis is convinced that the expansion of tourism is the key to success for the town.

It is only a small town, without industries, whose municipal budget in 1975 amounted to all of £160,000. (Now it is £1700,000).

The population has risen from 16,000 to 55,000 over the same period, but Larnaca remains a small seaside resort.

The town has serious financial problems--there is not the money, for example, to have a general plan drawn up for the town, an omission that the Mayor regrets more than anything else.

The plan is that much more necessary when one considers that as things are, the town's expansion is hemmed in on one's side by the airport, on another by the oil refinery, and on the third side by the housing for the refugees.

Kioypis would like to see Larnaca extend along the beach in each direction, beyond the oil refinery and the airport.

The beach itself poses several problems. A modern sewerage system is required for the town to save the beach from intolerable pollution.

And then the entire beach areas need exploitation from the tourist point of view. Much has already been done to improve Larnaca's roads, but much more remains to be done.

A road to the airport, bypassing the town, needs to be built, and a similar road to the port is also planned.

The Mayor thinks it is even possible that the refinery may be bodily removed out of Larnaca, thus saving the sandy beach it is occupying for the citizens and visitors.

This would be a major project such as the businessman from the Belgian Congo would like to get his teeth into.

There can be few visitors to Larnaca who would not wish him luck.

CSO: 4920

SERIOUS WATER PROBLEM REPORTED

Nicosia CYPRUS MAIL in English 10 Jul 80 p 1

[Text] **T**HE Cyprus water problem is among the most serious of the country, second only to the political problem, according to President Kyprianou.

The water works being undertaken, besides serving irrigation and water supply in towns and villages and helping agriculture and cattle breeding, serve to prevent the shift of population, the President declared.

Mr Kyprianou was speaking during a visit to the Ministry of Agriculture and Natural Resources when he had a meeting with the Minister Mr G. Tombazos and Departmental chiefs.

It was a visit similar to the one he had earlier this week to the Ministry of Communications, with a view to have a first hand account of work being done and see how best he could assist in speeding up operation and progress of the work on the various projects.

His visits should not give rise to any idea that public servants are not doing their jobs but only to prod their interest and give the feeling of government support for their work.

But he repeated his warning that public servants should devote themselves solely to the service.

The Minister of Agriculture Mr Tombazos gave an outline of the ambitious water works under progress in Paphos and elsewhere, the most important of which was that of the «South Conveyors».

He also referred to the other activities of the Ministry about improved production and change to early ripening varieties and the activities of the Geological Survey, the Agricultural Research Institute, Forestry Department and Fisheries.

Experiments for the breeding of snails were being undertaken as well as of turtles, eels and lobsters.

Experimental work is also in progress on water desalination.

BRIEFS

NEW AIRPORT CONSTRUCTION--President Kyprianou will lay the foundation stone of the new Paphos airport near Akhellia on October 2, and the airport will become fully operational in two years time--by the middle of 1982. This was announced at the wide meeting held under President Kyprianou at the Ministry of Communications and works yesterday. During the meeting it was noted that air traffic in 1979 was nearly 11 per cent higher than 1978, the passenger traffic increased by nearly 27 per cent and cargo traffic by over 20 per cent. Aircraft movement in 1979 was already 92.4 per cent of what it was in 1973 at the Nicosia International airport in 1973, passenger traffic was 6.7 per cent higher than in 1973 and cargo traffic increased by 176 per cent compared with 1973. Other decisions at yesterday's meeting at the Ministry of Communications and Works concerned the commissioning of British consultant engineers for a study improvement of the Limassol-Paphos road and of the hill and rural network. Studies on protecting the seashore from erosion will be speeded up. [Text] [Nicosia CYPRUS MAIL in English 8 Jul 80 p 1]

THE EXPANDING CONTACTS WITH AFRICAN LIBERATION MOVEMENTS

Hamburg DER SPIEGEL in German 30 Jun 80 pp 12-13

[Text] The Social Liberals want to expand their contacts with the African liberation movements.

Gerhard Schröder, once the CDU foreign minister, was the socialist once again.

The chairman of the Committee for Foreign Affairs had sent a written invitation to his delegates in mid-June to an informational meeting with leaders of the South African liberation movement. African National Congress (ANC), a movement whose military wing had laid explosive charges a few days previously in the Sabal coal liquefaction plant in the land of apartheid.

In the "gentlemen's lounge" in the parliament building Schröder met with the Social Democratic committee members Annemarie Renger and Karsten Voigt. Richard Jaeger came from the CDU--the member of a party that has already called SPD contacts with liberation movements "support for murder" (CDU delegate Hans Graf Byn).

Voigt was happy about the apparent change of sentiment in the Union: the committee chairman's letter revealed a "long overdue orientation towards solidarity" with the liberation movements.

The Social Democrat was wrong. In the same week the Union delegates in the Committee for Economic Cooperation boycotted talks with the ANC Secretary General Alfred Nkomo and its representative in London Tony Beedat. No one from the Union appeared at a meeting of the SPD committee chairman Uwe Holtz (SPD) and members of the coalition with the African visitors.

The visitors assured everyone that the ANC was fighting for a "democracy in which all citizens have equal rights." Even after the recent escalation of violence their organization was ready to hold discussions.

This line of argument is familiar to the members of the coalition. After a trip to Africa at the beginning of June the chairman of the SPD Committee

for involvement, Wolfgang Roth, had recommended to them that they finally abandon the "fiction that in southern Africa any chance exists for the liberation of the black majority without the use of violence."

The Federal Foreign Office met the wishes of the black South Africans: as the first ANC representative Nto was able to pay a formal call on Cabinet Minister Hildegard Hamm-Bruecher. Like the Saharan Polisario, the ANC wants to open a permanent liaison office in Bonn. The Social Liberals have already promised their assistance.

They also like to see representatives of the South West African People's Organization (SWAPO) in Bonn, the leading liberation movement in South Africa's neighboring state Namibia. On his African trip Roth repeatedly tested opinions in southern Africa, and in April Foreign Minister Hans-Dietrich Genscher invited SWAPO leader Sam Nujoma to visit Bonn. Nujoma, who is Bonn's most important contact from Namibia, is expected to receive an absolute majority in free elections--and there are valuable raw materials in Namibia. Industry experts estimate that up to 30 percent of the uranium imported by the FRG by roundabout ways comes from the former German South-west Africa.

Bonn's Africa politicians want to use good relationships with the liberation movements to improve their reputation on the dark continent, a reputation still suffering, for example, because of economic cooperation with South Africa.

The greater the success of the Ministry of Foreign Affairs and the SPD politicians in wooing the Africans, the more stubbornly the CDU and CSU cultivate their friendship with the opponents of the liberation movements which, in the Union's opinion, are controlled by Moscow.

The week before last CDU delegates Hans Stercken ("I'll even receive the devil's grandmother"), Karl-Heinz Narjes and Karl-Heinz Hornhues held a celebration for an old friend: the chairman of the internationally scorned Namibian Democratic Turnhalle Alliance (DTA), Dirk Hodge.

Hodge, who is considered in the United Nations and among African liberation movements a promoter of white interests, has enjoyed generous support for years from Stercken's German-African Foundation. When he entered the election campaign in 1978, the CSU of Franz Josef Strauss willingly gave him assistance.

Foreign ministry state secretary Guenther van Weyl discovered just how much the repeated trips of the Union's friend from South Africa to Bonn are endangering attempts to befriend the liberation movements when he made it clear to Hodge that the Federal government will not budge from the United Nations' plan for Namibia.

Van Nieuw told Strauss' friend Nudge that Bonn still condemned his non-legitimized formation of a ministerial council and of a national assembly before general elections.

But last week SWAPO criticized even the reception of the white South African at the foreign ministry, saying it had to be interpreted as recognition of the OTA; in so doing Bonn had broken UN resolutions.

This criticism seems too harsh to the Social Democrats. But they too, in the words of SPD delegate Brigitte Erler, find it "overdone, that such contacts are taking place at the secretary of state level."

9581

CSO: 3103

WISCHNEWSKI DISCUSSES SPD PLANS, PROGNOSIS FOR FINAL PHASE OF CAMPAIGN

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 16 Jul 80 p 3

[Article by "hls": "The Election Campaign and the Fear of One's Own Courage--The SPD Wants "Neither To Lend Nor To Give Away" Votes--Wischnewski Says Strauss Is Isolated in Alliance"]

[Text] Bonn, 15 July--The SPD is afraid that because of overconfidence on the part of its supporters it might fail to achieve its election aim of stripping the CDU/CSU of its position of being the strongest party in the Bundestag. Pointing to opinion poll results, SPD Deputy Chairman Wischnewski has outlined the possible composition of the next Bundestag: 230 seats, or 13 fewer than now, for the CDU/CSU; 222 seats, or 8 more than in 1976, for the SPD; and 44, or for more, for the FDP. INFAS [Institute for Applied Social Sciences] of Bad Godesberg expressed this result in the following percentages: 44.5 percent for the CDU and CSU; 43 percent for the SPD; 8.5 percent for the FDP; and 4 percent for other groupings, of which the Greens, with 3 percent, would be the most successful. There are still 80 days to go until the elections, however.

These figures, according to Wischnewski, confirm the formula laid down by the SPD leadership as early as the night of the North-Rhine-Westphalian election to the effect that any statements about an absolute majority by the SPD are "unrealistic illusions." What Wischnewski failed to say was this: An absolute majority by the SPD would cause a far greater rapprochement than in the past legislature between the government team gathered around Schmidt and the leftwing group of the SPD in the Bundestag, with the SPD oppositionist group becoming far more powerful vis-a-vis the government. An absolute majority appears to be no dream but rather a nightmare for Schmidt.

In order that party members may not be lulled into a sense of false security, they are being asked to make an effort for every single vote. The formula runs like this: The SPD has "nothing to give away or to lend out." This is a precautionary warning against too much altruism toward the FDP. It remains a problem for the SPD that the reputation of the federal chancellor continues to exceed the population's approval for the party. On the other hand, it draws a certain consolation from the fact that it might be the

what was found to far on the CDU/CSU candidate for chancellor is concerned— that, as regards approval recognizable in opinion polls, the CDU and CSU are better off than Strauss. In order to make the diverging chancellor and chancellor's-party curves converge more, the SPD is planning a big "Germany meeting" in Dortmund on 6 September, at the start of the final stretch of its election campaign. It expects 150,000 people to attend the gathering. Already Schmidt on posters is asking support for "my" party. (For mysterious reasons, this possessive statement by Schmidt concerning his party is emphasized graphically in one case but not in the other.) In addition 6,000 election campaign events are being planned by the party headquarters in Bonn-Düsseldorf. This would be in line with the traditional election campaign style. The SPD apparently expects greater things of a Sunday paper to be distributed to all households, if possible, on four Sundays, 13 September to 5 October. There are to be seven regional editions, 12 pages per copy with a circulation of 15 million. Since the SPD does not want to raise its election campaign budget compared with 1976, it intends to make "considerable" savings in distributing posters. A total of 100,000 volunteers are to see to the distribution every Sunday morning, starting at 0430 hours.

Wischniewski indicated where the emphasis was to lie in the confrontation between the SPD and the CDU and CSU when he criticized Strauss and Kohl at a press conference the previous day and in commenting on the CSU security policy decision in Munich of 5 July. Accordingly the CDU/CSU policy is to be portrayed as "unreliable," as one of "isolation" in the Western alliance, and thus, in the final analysis, as "detrimental" to peace and security. By way of countering this, the federal chancellor and his reputation at home and abroad are pointed to all the more strongly as a guarantee of security and peace.

Schmidt at his talks in Moscow had expressed himself clearly and "unmistakably" about Afghanistan but nevertheless got the negotiations in Europe going again; for this he had received the appreciation of the Americans and the other partners in the alliance, who, unlike the opposition in Germany, were not talking about "rotten eggs" but rather were responding to the results. Strauss himself after Afghanistan had become interested in a trip to Moscow; yet his leadership team at no time had voiced a united view about Schmidt's trip to Moscow. Now, for "election strategy reasons," Strauss and Kohl were making excessive demands regarding Schmidt's meeting with Honecker in order to be able to register a failure.

To prove that Strauss contradicts himself in foreign affairs, Wischniewski listed the recent trips abroad by the CSU chairman during which he noted "full agreement" everywhere—with Ceausescu in Romania, in France (without meeting President Giscard, however), in the United States, in Israel and then in Egypt. "Either he has no idea of foreign affairs, or he wants to make it appear that all the people he talked with are stupid."

As for the defense policy congress of the CSU in Munich, the SPD politician criticized the fact that the CSU indirectly rejected ratification of SALT II.

while calling for SALT III. This was illogical and at variance with the official policy of the United States and the alliance. Further, the CSU was calling for abolishing the geographical limitation of the alliance. This was an "extremely dangerous" demand, not shared by any of the allies. The CDU wanted to achieve a European defensive union with a conventional and a nuclear component, and this too was at variance with the policy of the alliance.

Combining hard-hitting politics with pleasantry, Wischniewski had come up with a sarcastic election campaign offer to the CSU: for a loan fee of DM 78 per copy, he wanted to pass to every SPD election district candidate a CSU film about (against) Helmut Schmidt. So far the CSU had not reacted to this offer by the SPD to distribute CSU election campaign material.

As far as CDU acting spokesman Muellerleile is concerned, part of Wischniewski's remarks are a continuation of the "SPD's indecent game with war and peace" in the North Rhine-Westphalian election campaign. Wischniewski's quotation from a CSU defense policy paper about extending the geographical limits of NATO, Muellerleile says, "exists now only in his imagination. He has never had any access to decisions by bodies of the CDU and CSU."

8790

CSO: 3103

WEHNER'S DEPARTURE FROM PARTY POST SUGGESTED AMID CRITICISM

Hamburg DER SPIEGEL in German 14 Jul 80 pp 19-21

[Text] SPD criticism of majority leader Herbert Wehner is growing. The senior member of the Social Democratic leadership triumvirate has been on bad terms with the Chancellor since he provoked a quarrel within the coalition on the topic of iron and steel industry codetermination. Many comrades also accuse Wehner of paralyzing the work of the Bundestag party group.

In the circle of SPD ministers Helmut Schmidt complained about his cabinet comrades. While he was away in Moscow, the Chancellor noted with some acerbity, all Social Democratic department chiefs, headed by such experienced politicians as Finance Minister Hans Matthoefer and Inner-German Minister Egon Franke, had sided against a cardinal rule of the coalition.

Without consulting Schmidt the ministers had signed a document likely to result in serious conflicts: The "group motion" organized by SPD majority leader Herbert Wehner for legislation to secure codetermination in the iron and steel industry, which is totally unacceptable to the Free Democratic coalition partner.

Using the prominent signatories as decoys, Hans-Eberhard Urbaniak, trade union official and codetermination expert in the Bundestag party group, had little trouble in snaring another 200 SPD deputies. Only the Chancellor rebuffed him.

In his capacity as head of a coalition government, Schmidt instructed his ministers, he would do "nothing against or without" the FDP partner. He was asking the same of his cabinet members.

At no time must the Liberals lose confidence in the Social Democrats. The very least, in any case, was harmony among SPD ministers.

Justice Minister Hans-Jochen Vogel and Employment Minister Herbert Ehrenberg did claim they had tried to initiate some concerted action but had been too late. According to Ehrenberg: "Then we all did it."

Schmidt had intended at last Wednesday's Cabinet meeting to read the riot act to the SPD ministers in the presence of his liberal colleagues. Later he had second thoughts. Before the meeting began, he took aside FDP chief Hans-Dietrich Genscher. The Chancellor appeased his deputy by assuring him that he had already admonished his people, and that in future they would be compelled to maintain coalition discipline.

Schmidt's indulgence was not due to any consideration for the feelings of his own comrades. Actually he wanted to avoid an obvious demonstration in the Cabinet of something which, for some time past, has not been denied even by government members: Relations between the Federal Chancellor and majority leader Wehner are strained.

Since the rise of the social-liberal coalition Wehner was assumed to be the most important guarantor of the alliance, not least as a result of his excellent relations with Wolfgang Mischnick, FDP parliamentary party leader. For months past, though, the government leadership has increasingly disapproved of Wehner's arbitrariness and his faulty management of the majority, the latter displayed most recently on the occasion of the Bundestag defeats relating to the voting on the legislation on conscientious objection and noise abatement (SPiegel No 28/1980).

Criticism of majority leader Wehner is not yet open. One of those present at the time recalls that, in the course of the chancellery discussions regarding the Social Democratic ministers, "Wehner's name was not mentioned. Nobody claimed to be a member, let alone leader, of a revolt."

Wehner critics are all too well aware of the risk incurred by any Social Democrat who openly attacks the "uncle." The senior member of the leadership triumvirate is still strong enough to command the majority of the party, still master of the art of inspiring the comrades with enthusiasm for himself and his policies.

All the same, the present silence is somewhat different. One of the Chancellor's intimates suggests that "the issue of Herbert Wehner is characterized by the fact of Helmut Schmidt's total reticence. He has not said a single word about Herbert Wehner."

And yet the Chancellor's aides are quite aware that the head of government was "none too pleased" when Wehner, at last June's Essen Party Congress, appointed the SPD the keeper of the Holy Grail of codetermination in the iron and steel industry and thereby provoked a clash with the FDP right at the end of the legislative term. Wehner said to the SPD Bundestag group: "I will not be dictated to by Herr Genscher."

When SPD deputy Urbaniaik asked CDU deputies to append their signatures to the group motion, that suddenly appeared possible which had been studiously avoided by the coalition for the last 10 years: A vote with changing majorities--Social Democrats and Christian Democrats aligned against the Liberals.

Obviously Schmidt is aware of the importance of the codetermination issue for the workers in the iron and steel industry. Wehner received thunderous applause from most comrades when he pledged himself and his parliamentary group by asserting: "We Social Democrats will treat equal codetermination like the apple of our eye."

Nevertheless the Chancellor (who does not expect an absolute majority for his party) seems to assign greater importance to keeping a reliable and satisfied coalition partner after 5 October next also than getting as many SPD deputies elected as possible. Wehner evidently thinks otherwise ("I am not a statesman, nor am I a politician--I am a political practitioner").

The very day when Schmidt reproached his ministers for their signature of the codetermination initiative, Wehner thanked all those in the Bundestag group "who have cosigned the draft legislation."

Wehner's strategy in the codetermination issue is quite surprising, because the foster father of the social-liberal coalition used to preach a very different sermon:

It is one of the attributes of partnership not to speculate on the possibility occasionally to exert pressure on the partner by indulging in "changing majorities." Anyone thinking of carrying demands which appear to him particularly important or desirable, by the aid of majorities and against a section of the coalition partner or against the coalition partner altogether, or who wants to try such a course, must realize that this could or would spell the beginning of the end of the coalition.

That was written in 1972 and printed in the SPD magazine NEUE GESELLSCHAFT. The SPD had just achieved its best election result ever.

In May 1980, following the great election victory in North Rhine-Westphalia, Wehner wrote another article for the NEUE GESELLSCHAFT. This time, though, he barely mentioned the FDP which had just been turned out of the North Rhine-Westphalian Provincial Assembly. No call for coalition discipline. The SPD target was "to enter the Ninth German Bundestag once again stronger than the combination of CDU and CSU, and to act accordingly."

The same Wehner permitted the coalition to fall into disarray at the end of the legislative term. It was due only to the desperate straits of the opposition that the social-liberals did not have to pay more dearly for the lapses of the majority leadership.

Though the Chancellor had given an early warning against the attempt of quickly forcing through draft legislation on civilian service, the draft stayed on the agenda--and failed. Ten SPD deputies voted with the CDU/CSU.

One day later, against the wishes of the FDP, Wehner insisted on having major amendment legislation voted on by the Bundestag. The SPD promptly ceased getting a majority. Other than in the vote on aid to Turkey 2 weeks before, the CDU refused to give the Social Democrats a changing majority against the Liberals.

Minister Egon Franke, leader of the SPD right, was much irritated: "That is no way to run a parliamentary group." Among his intimates Helmut Schmidt also spoke his mind: "The majority leadership has certainly not covered itself in glory."

Also unforgotten by Schmidt are Wehner's arbitrary pronouncements on foreign and defense issues. A year ago Wehner had already clashed with the FDP and the Chancellor. Fearing that the Federal Government might allow detente to deteriorate, adversely affecting German-German relations, Wehner announced to the Bundestag SPD in January 1979 that he would "light a fire under them."

Soon after he really did stir things up. Without consideration for Genscher who was suffering from a heart ailment at the time, Wehner attacked the foreign minister for applying the brake: "I know where to seek the weakness of the West German foreign policy image. I am familiar with the methods of Foreign Minister Genscher, and I do not agree with them."

At that time Schmidt reacted rather moderately: Bonn's alliance policy, he said, is "decided in the Cabinet or the Federal Security Council, nowhere else."

Soon after Wehner bid higher, certifying the merely "defensive" nature of Soviet rearmament. Thereupon Schmidt had Hans-Juergen Wischnewski, then state secretary at the chancellery, lodge a protest with the majority leader. The result: Wehner gave peace until last spring.

In March he spoke out again. According to Wehner the Soviet incursion into Afghanistan was merely "preventive." Schmidt remained silent.

From then on the Chancellor, according to a government member, reacted indirectly, if at all: "Wehner was only to get the impression that Schmidt no longer agreed with him."

Another SPD minister recalls: In those days Schmidt promised himself that, unlike Willy Brandt, he would not allow himself to be steamrollered by Wehner."

In the meantime disapproval has grown not only in the government but also in sections of the parliamentary party. As a result, in contrast to the situation 2 years ago, many Social Democrats would be quite relieved if Herbert Wehner were to stand down from his office as majority leader once the Bundestag elections are won.

more and more comrades dare to publicly criticize the majority leadership, Wehner blocks important discussions, claims one influential parliamentary state secretary. Another one of his colleagues, also on the right of the party, offers more details: Wehner paralyzes parliamentary group work by his formalism. At the beginning of each meeting he chews over--once more--the discussions of the majority executive, instead of inserting their recommendations or resolutions in the discussion of the various topics on the agenda. Lately he has also encouraged lengthy lectures on the work of the European parliamentarians.

"Someone wanting to lead a parliamentary party," complains the comrade state secretary, "cannot sit through plenary meetings all day long, the way Wehner does." Moreover, according to the complaints heard from SPD ministers on Friday before last, Wehner has virtually excluded his deputies Horst Ehmke and Helmut Rohde from the majority leadership.

Instead Wehner relies heavily on his devoted secretaries Konrad Porzner and Gerhard Jahn who have not managed to achieve anything like the efficiency of former parliamentary party manager and Wehner intimate Karl Wienand.

Despite all the criticism of Wehner the Social Democrats, including the Chancellor, are agreed that Herbert Wehner cannot be compelled to stand down. As a member of the SPD Presidium put it: "Despite everything the uncle alone can decide when to give up his office."

Only then could those risk coming into the open, who--like Hans Apel, Hans-Jochen Vogel or Hans-Juergen Wischnewski--feel able to tackle the succession. As long as Wehner keeps his mouth shut vague speculations must be the order of the day. One cabinet member, for example, prophesied that the old man might give up the majority leadership after the Chancellor's visit to the GDR, provided he could be sure that the Germany policy was in good hands.

Wehner evidently hears the impatient scratching outside his door. Yet he does not comment, or if he does, the comments resemble riddles.

When, lately, European deputy Horst Seefeld said to him by way of a compliment that the European socialists would love to have a majority leader like Wehner, the old man said--acidly but ambiguously--: "Many in Bonn would love that too."

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CSO: 3103

ROLE OF JUSTICE MINISTER VOGEL ANALYZED

Hamburg DER SPIEGEL in German 30 Jun 80 pp 27-29

[Article: "He Catches On"]

[Text] Social Democrat Hans-Jochen Vogel has improved his position from one of Juso [Young Socialists] baiter to one of enjoying the respect of his party on the left as well as the right. Helmut Schmidt's minister of justice, he is considered a possible future chancellor.

Sometimes as many as 20 people wait in front of the old apartment building at 24 Bad Solen Street right in the workers quarter of the Milbertshofen District in Munich. The visitors may have come from nearby or from Füssen, Augsburg or Stuttgart.

Often they are elderly citizens who are having trouble with their tenants or their social security. There are others who want to get rid of their spouses and are inquiring about the financial consequences, while some are seeking a way to get their relatives out of the GDR or Poland. It is the everyday existence of parliamentarians who still maintain a direct dialog with their constituents and, therefore, the obligatory routine of Hans-Jochen Vogel, SPD Bundestag deputy of the Munich-North election district.

Every 3 weeks the one-time chief mayor of Munich and current minister of justice in Helmut Schmidt's government is available for consultation with his constituents. His slogan: "I will answer you just as quickly and just as precisely as I did when I was chief mayor."

Ever since 1 April 1977 the prominent Social Democrat has rendered practical assistance in the simple publicly financed contact with the citizen to offset the kind of governing, somewhat far removed from the citizen, at his desk in Bonn, with 712 employees and a view over the Rhine and the Siebengebirge.

Born in Goettingen in 1926 and a Bavarian by choice, the Bonn deputy every 2 weeks, together with three other Munich Social Democrats in the

Bundestag, visits plants at home, talks shop with soldiers in the Munich barracks, attends to plot owners associations and sports clubs or supports citizens' protests against plans by the Federal Railways to build a railroad yard in his election district.

All this grind has paid off. Before the 1976 Bundestag elections Vogel had to fly from Bonn to Munich three or four times a week to scrounge the votes in the local organizations for his nomination. In the end the one-time "Karajan of municipal politics," as the Zurich TAT has described him, who in his 12 years as chief mayor had changed the Bavarian capital to an extent unprecedented since the time of the Wittelsbach kings, defeated his little-known leftwing competitor Juergen Heckel--by a margin of just four votes. Thanks to carefully tending the market and patient party drudgery, he had no further problems that year in being elected to the Bundestag by the northern Munich electorate.

At first glance such efforts seem a few sizes too small for the big bird [Vogel means bird in German] from Bonn. But with his local drudgery Vogel has retrieved the support of his comrades at home which he had lost in his last years as chief mayor and during his years of apprenticeship in Bonn as housing construction minister in the Brandt government.

"The toughest nut to crack in the government," as Willy Brandt called him, "became so deeply entangled in the negotiations with the Munich left that within a few years he lapsed from a brilliant young SPD star to a disgruntled Juso baiter."

And because he definitely wanted to make his Munich squabbles the cause of the whole SPD, Vogel also found himself rejected by his top comrades at the Bonn SPD headquarters. Hessian Minister President Holger Boerner, at the time federal executive manager of the SPD, recalls: "He always called for a big hammer."

In the meantime Vogel has managed to bring about a situation where his counsel is sought respectfully again even by those of his comrades who previously dismissed him as pedantic, authoritarian and arrogant.

An example is Rudolf Schoefberger. The former Bavarian Juso chief and today--like Vogel--Bundestag deputy from Munich got together with his former opponent to produce Ludwig Thoma's political show "First Class" at a Bavarian evening in Bonn. Formerly he did not even want to play cards with him, saying: "He always behaves as if he had learned to play Schafkopf at an academy."

Some years ago "Red Rudi" had still compared his comrade maliciously to another Bavarian, saying: "We don't need another Franz Josef, and we aren't going to have another Franz Josef."

Today Scheffhager remarks: "His change is so profound and lasting that it cannot be a tactical maneuver."

Dr. Hans-Joachim Lauth, who in 1971 was under suspicion as a double agent of the Nazis, left to succeed Vogel as chief mayor, today is amazed at how quickly Vogel is and how quickly he operates.

But it is not only the white-blue [Bavarian] Social Democrats who are amazed. Rolf Dombler-Grohn (from Westphalia, member of the Bonn legal committee and formerly often an adversary of Vogel), says: "He is a man who listens, who respects other opinions, who sticks on to the fact that one's prestige is not at stake if one takes back previous decisions on the basis of improved knowledge."

Gerd Vogt, once chairman at a time when Vogel was still a hawk, today regards the once-time opponent as a helper, saying: "He is sensitive to any new ideas and tries to build bridges." And Berlin veteran socialist Harry Hirsch, once a victim of Vogel's chopping on the party executive, confirms that "today's Vogel [bird] is a bird of a different feather."

The wondrous change began slowly, being interrupted time and again by setbacks into the old intolerance. Even after Helmut Schmidt, following Brandt's resignation in 1974, had moved Vogel from the Ministry of Regional Planning, Housing and City Planning to head the Ministry of Justice, the "big lord and master" (a Just epithet) would not refrain from getting into a fight with anyone approaching him from the left. But his new post at least gave him a chance to show his ability and to show off as "the federal government's legal adviser" (Vogel's own description).

Vogel had started in the Brandt government with great pretensions. Though only the head of a secondary Bonn department, the leading man from Munich made a big play of appointing himself the most important man at the table—saying that there was no such thing as a reform without the need to build something or other. He announced that he would evict the business of the land speculators and drive well-to-do tenants from government-subsidized apartments. That is as far as the matter went.

Only after becoming minister of justice did he, a lawyer by training, gradually gain ground again. Despite the fact that the Constitutional Court is the case of the abortion law not the SPD-FDP despite for reform narrow limits, Vogel, a divorced Catholic, managed to sell the trimmed law as if it were proof of progressive legal policy.

Vogel rose steeply in the estimation of the chancellor, who as finance minister in the Brandt government had often clashed with his Bavarian colleague. When he was forming his government in 1975, Schmidt wanted to make the "managerial genius" (Franziska SPU chief Gero Friedrich's term) minister of defense instead of Georg Lahm. Nothing became of this because the chancellor was in urgent need of a strong man at the

Justice Ministry in order to control CDU Minister of the Interior Werner Schäfer, who even then was going his own way.

And it was not the minister of the interior—who actually was the minister responsible—but Vogel who kept his cool after the terrorist attacks against Federal Attorney General Siegfried Huback and Employers Association chief Hans Martin Schleyer, preventing the people in Bonn in the general hysteria from dissociating themselves too far from the liberal legal principles. Said SPD chief Willy Brandt: "In the Schleyer case Vogel was the liberal conscience of the Federal government."

In the vote about the antiterrorist laws, he saved the government its parliamentary majority through patient negotiation with leftist opponents among the SPD Bundestag deputies. SPD Bundestag Deputy Peter Conrad, who generally goes along when it is a question of tripping up his higher-level comrades, attested: "He sat down with us deep into the night, changing half a sentence here and half a sentence there."

At the loose party congress in early June of this year, Vogel, together with leftwing delegates, during a night session saw to it that a proposal was passed obligating the federal government to observe the SPD resolutions in the radicals decree. In other words, a DKP man could be fired from the civil service only if he acted "in a concrete personal fighting manner against the essence of the constitution."

It was Vogel as well who 2 years ago was the first to draw his chancellor's attention to the expiration of the statute of limitations for Nazi murderers. The statute—he argued, sharpening Helmut Schmidt's moral conscience—would have to be suspended if the government and the SPD were not to forfeit the support of young voters and people abroad.

With advice of this sort and a fine sense for politically delicate situations, Vogel advanced to a position of indispensable chancellor's aide. Schmidt puts up with his justice minister irritating his colleagues in the cabinet with expert questions—often about fine details—with his taking apart a proposal by Minister of Health Antje Rüber down to editorial minutiae or with his holding forth about insufficient aid to relieve the starvation in Cambodia. When the head of the Office of the Chancellor, Manfred Schröder, sees his boss about some problem or other, the latter will generally ask: "Have you discussed it with Vogel?"

The justice minister was even admitted to the Federal Security Council, where intelligence experts and the military exchange their elite knowledge, often couched in special lingo—until even Vogel got tired of the jargon and stopped going.

At cabinet meetings his colleagues occasionally are amused when he shows off with his activities or goes on at length about what "happened to him

at state funerals" (as a member of the cabinet puts it). It happens that Vogel frequently represents the government at such functions abroad. He did so, for instance, at the funerals of Golda Meir and Archbishop Makarios.

Sometimes at cabinet meetings he passes on to his colleagues ideas and lectures from the "Bernstadt Circle," an association of moderate right-wing conservatives—for example, about the contract ban law or concerning peace policy. On such occasions, according to one minister, his colleagues will make jocular remarks such as "The *summa cum laude* jurist has done his homework again."

Like sports fans, the cabinet members watch the guerrilla warfare conducted by Vogel against FDP Minister of the Interior Gerhard Baum—the last time when it was a question of the right to asylum. The two are competing for being considered the most liberal person in the country.

Vogel generally has the last word. An SPD cabinet member says: "Baum against Vogel—that is like minor league against major league."

The chancellor, himself one of those people who like to put others in their place, is not bothered by Vogel's know-it-all attitude. In his view, Vogel is now a member of the top SPD reserves in Bonn, in addition to his other favorite princes Hans Apel and Hans Matthöfer.

When recently rightwing SPD party workers roared to the chancellor about the justice minister's comeback among the party regulars on the left and right, Schmidt said, nodding: "He has not reached the end of the line either."

In an intimate circle, SPD Chairman Willy Brandt diagnosed Vogel's career prospects saying: "If today Helmut Schmidt comes down on Baum, it all leads to Vogel."

ECONOMIC TRENDS, PROPOSED POLICIES CONSIDERED

West Berlin DIW WOCHENBERICHT in German 26 Jun 80 pp 288-290

[Article: "Federal Republic of Germany: Oil Price Increases Leave Brake Marks"]

[Text] There are more and more indications in the Federal Republic of Germany that the strong upward trend that was evident during the winter did not continue. After reaching a peak in February, there was a significant reduction in the volume of newly placed orders, seasonally adjusted and allowing for calendar influences. In April, the volume approached the level of the end of the year of 1979 and, thus, barely exceeded the equivalent level of the preceding year. When combining the developments during the 2 months of March and April, it becomes apparent that there was a more pronounced decrease in the demand from abroad than was the case with regard to domestic orders. Of course, during the preceding period there had been an unusually strong increase in orders from abroad.

Of late, even real domestic demand has weakened. In the areas of raw materials and manufactured goods, domestic demand was especially weak--particularly in the chemical industry--whereas the state of orders in the steel industry remained stable. In the capital goods area, orders in the motor vehicle industry dropped more than average; in part, structural reasons were responsible. In April, the volume of orders in this industry decreased by 11 percent, when compared to the same month of last year.

During this early phase of economic decline, orders received by "classical" producers of capital goods, machine construction and the electrotechnical industry, remained remarkable favorable. It is an indication that there is still a strong inclination toward investment in the German industry and it will contribute to the support of the industry during the next few months. This stable tendency toward investments is also having a favorable effect on the construction industry; under the influence of a continuously expanding demand for commercial buildings, the volume of orders received has been rising until this day. Nevertheless, the total of orders received by major building trades no longer exceeded the production level: According to the results of the IFO economic tests, the range of existing orders

decreased between fall and spring; whereas in fall, it was still equivalent to the production of 3.5 months, at late it has been only 3.2 months.

Price increases for petroleum products have definitely caused a slowdown in demand by private households. Following an enormous increase in sales at the beginning of the year, of late retail sales have taken quite a plunge; according to preliminary estimates, the volume has been even lower than it was at the same time last year. What has become more and more noticeable is the fact that the purchasing power is decreasing because of constant price increases in petroleum products, of late primarily gasoline. To compensate for this reduction in purchasing power, a decline in the rate of savings became noticeable during the first few months of this year; but it is not very likely that this will be permanent. As a consequence, the development of private consumption during the next few months will be determined by the real income of private households; taking into consideration the development in retirement income, it is not expected that the economy will see much of an increase.

Production in the processing industry continued to increase according to expectations. The most significant gains were recorded in those industries that continued to receive a large number of orders as well, especially machine construction and the electrotechnical industry. A noticeable increase, however, also took place in the motor vehicle industry; statistical data for April are indicating a production level which--seasonally adjusted--was higher than during any one of the preceding 12 months. Apparently, ordered vehicles were delivered faster, which means that times of delivery were shortened; at any rate, real sales to domestic as well as foreign buyers have risen substantially until now. In addition, an undesirable buildup of inventory, at least as far as some manufacturers were concerned, may have contributed in some way. A reduction in hours, which is becoming more and more widespread in this industry, as well as announced layoffs of workers, give rise to the expectation that following a decline in demand there will also be a drastic cutback in production during the next few months. In recent months, there has already been a drop in production in the chemical industry. This extremely capital-intensive area is able to adjust to fluctuations in demand on a relatively short-term basis without having to face the sudden question of dismissals.

In the building industry, production stagnated more or less during the last few months. A decrease in orders on hand has already become noticeable together with the expectation that during the coming months there will be a decline in orders by the state and the housing industry, which led to less intensive pursuits of projects and, for instance, less overtime.

Altogether, total economic production rose more slowly in the spring of 1980. Nevertheless, it was still sufficient to account not only for an increase--albeit a diminished one--in the number of unemployed people but also in productivity. Still, labor market conditions have worsened; The number of unemployed people, seasonally adjusted, also increased during

the last few months--which were not very much influenced by weather conditions. Compared to 1978 and 1979, it was no longer possible to absorb without friction the growing number of people entering the labor market. The steady decrease in the number of openings is pointing to a growing number of problems. Considering these economic conditions, the rising number of foreigners who are seeking asylum and who have been able to register as unemployed, are creating an additional burden for the labor market.

In recent months, there has been a slight slowdown in the pace of the rise in prices, as reflected in consumer prices; nevertheless, the current rate of approximately 6 percent is considerably higher than was anticipated by econopolitical agencies. The most important impulses that were driving up prices are still coming from abroad, above all, from constantly rising prices for petroleum products. As a consequence, prices for electricity and gas are now rising considerably as well. On the other hand, prices for costs on the domestic market have remained stable. The deflationary index for the gross national product rose by less than 4 percent during the quarter of this year--compared to the same period last year. Nevertheless, the most recent labor agreements were somewhat higher than were those at the beginning of the year, which means that a slight acceleration in domestic price increases is to be expected.

Price increases for foreign raw materials--particularly petroleum--are reflected in the development of the FRG balance of payments. Surpluses in the balance of trade, which at one time were quite high, have shrunk so much that traditional deficits in the balance of the service industry and the balance of transfer payments can no longer be compensated on a large scale. Additional burdens on the balance of payments arise from payments to foreign countries, to which the government obligated itself in recent months.

Of course, it is to be expected that a part of these payments to foreign countries will flow back into the German economy in the form of additional orders; nevertheless, the portion that will be returned is likely to be much smaller than was the case in the past, since, for instance, Turkey is supposed to use the aid to wipe out its foreign debts.

The deficits in the FRG balance of payments, unusual but now growing rapidly, are frequently cited as an indication that the FRG has started to live beyond its means. The manner in which these deficits are justified is of little help econopolitically; in fact, it is even dangerous. They are the result of sharp price increases for imports. But there are no equally sharp price increases for German exports, which results in a deterioration in the terms of trade. At the present time, the OPEC countries--which are responsible for a large part of these deficits--are not using their increasing revenues to up their purchases on an equal basis in the FRG (or other oil-consuming nations), but they are hoarding their financial assets. In other words: They are far from using the production potential in the FRG to the

same degree as their revenues are increasing. If they were to make full use of it and, also, the production capacities were fully utilized, there would be a forced cutback in the domestic consumption of goods. But since these prerequisites are not being fulfilled, forced thriftiness would lead to a reduction in the use of production capacities and, as a consequence, cause economic and employment problems which would be altogether superfluous. Therefore, a necessity to save exists only when it comes to one product, which is experiencing or anticipating a short age: petroleum. If "conservation" were to be extended to all areas of goods and if the demand for imported goods were cut so dramatically that this year's deficit in the balance of payments, which is expected to exceed 20-30 billion, were drastically reduced, it would lead to devastating consequences for the entire level of economic production as well as for employment.

Economic and political considerations

Today, both of the two big political areas, monetary policy and fiscal policy, are already designed in such a manner that the slowdown in the rate of growth is an undesirable by-product. In the area of fiscal policies, the same thing is happening because of an increasing proportion of free payments to foreign countries. Because of the desire to limit new debts, financial resources for domestic expenditures are becoming more and more limited. It is particularly important wherever federal finances are concerned and it is causing new disputes between the Federal Government and Laender concerning the question of the distribution of tax revenues. This is leading to elements of uncertainty for fiscal policies and the economy, which might turn out to be an economic burden as well.

By maintaining high interest rates, the monetary policy is attempting to counteract the pressure for price increases--although it is induced from abroad--and also to attract foreign capital in order to finance the deficit in the balance of payments. In fact, it has to be admitted that the most important approaches to monetary policy are in this area. Nevertheless, maintaining a policy of high interest rates would be equal to applying the brakes to an economy that has already started to slow down. In important areas of demand, there will be less resistance to a restrictive monetary policy. It is increasingly affecting residential construction--unless the driving motive is modernization in conjunction with energy conservation for heating purposes--also some commercial investments and, last but not least, the willingness of private households to go into debt, in other words, private consumption. Consequently, when decisions are made with regard to the monetary policy, these economic factors should be taken into consideration; for the near future, this means accepting a decrease in interest rates within the framework established by the trend of interest rate reductions abroad, particularly in the United States.

When the economy is experiencing a slump, higher deficits in official budgets are unavoidable. It seems to me, however, since to run deficits to support the economy is more than it does to avoid them as a consequence of reduced

state revenues due to economical conditions. To assign the roles between monetary and fiscal policies in such a manner will be economically effective, unless there is a renewed intensification in the struggle for distribution. The most recent labor agreements, however, do not permit such an interpretation; in this situation they may be considered moderate as well. It would be different if occasionally voiced demands for supplemental wages were not an occasional occurrence. Few symptoms, however, have been noticed that discussions on supplemental payments could lead to an escalation in wages and prices. In the FRG there is no "inflationary mentality" which would have to be fought econopolitically, even if it were accompanied by a reduction in growth and employment.

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IMPLICATIONS OF FRANCO-GERMAN 'ENTENTE' DISCUSSED

Hamburg DIE ZEIT in German 4 Jul 80 pp9-10

[Article by Kurt Becker: "'Bonne Entente' - A Twosome Europe - Giscard-Schmidt Friendship Is Lucky Accident in Two Nations' History"]

[Text] The way from the portico of the Elysee Palace to the office of Chief of State Valery Giscard d'Estaing leads past the splendor of 18th and 19th century France. The flights of halls, the footmen in red-white-and-blue livery and, at length, Giscard's office itself, a showpiece of masculine elegance-- all of this exudes an aura of venerable history and tradition. Giscard has a penchant for it. His desk once belonged to Jean Baptiste Colbert, the financial reformer, who laid the groundwork for France's centralized power structure under Louis XIV. The Presidency, which Charles de Gaulle, the architect of the Fifth Republic, made part of the French constitution grants to Giscard the most power of any chief of state in Europe today. It is a republican sovereign who conducts France's affairs of state at the Elysee Palace.

But, despite his aristocratic habits and his marked preference for authority, Giscard is a far-sighted statesman. He has decided to go beyond the liberal reforms he has already introduced. He has the great ambition of leading France into the future by making her the premier industrial nation of Europe, unsurpassed by any other country. With this goal before him, he looks across the Rhine in fascination at his most important European partner and his closest political ally: Helmut Schmidt.

Next Monday the President of the Republic will pay his first state visit to the FRG. He will be stopping in Bonn, in Baden-Baden, Wuerzburg, Kassel and Luebeck. This will be the first ceremonial occasion for Franco-German relations since 1952 when General de Gaulle sought to secure German public

support for the friendship treaty he and Konrad Adenauer were proposing to sign. He was hoping to determine by the response to his impassioned appeals whether the time was yet ripe for embarking upon a common future.

One year later, the treaty was in fact concluded. But neither the treaty's authors, nor their successors -- Pompidou on the French side or Erhard, Kiesinger and Brandt on the side of Germany-- managed to develop it into a special relationship unparalleled in history, but Helmut Schmidt and Giscard d'Estaing now have. The personal friendship between these two men is of much greater importance for European relations and even for world affairs today than the close ties which existed between Adenauer and de Gaulle years ago.

America's leadership role in Europe has been curtailed by the power concentration the chancellor and the President have carved out for themselves, based on their special relationship. The Russians know that it is much more difficult now to isolate the FRG in Europe. The members of the West European community of nine look to the front-running Franco-German twosome with a mixture of expectancy and disapprobation, knowing full well that the old continent would have little profile or drive without them.

The friendly relationship between Schmidt and Giscard is a happy accident, given the history of the two nations. But their friendship has also met with skepticism-- not only among their detractors on both sides of the Rhine. The differences between them are in fact hard to overlook-- in external appearance, in temperament, in their origins and in their political style. What then is the secret of success of their common policies ?

Giscard, who ordinarily tends toward brief and precise answers, comes up with a roundabout reply. The fact is, he says, they had known and trusted each other for some time when they both assumed their present positions almost simultaneously in May 1974. They had worked together effectively and closely for two years, particularly during the then dollar crisis.

Over the past 5 years, they met frequently and regularly, both officially and privately. At first, their frequent telephone conversations caused a sensation among the politicians, as did their sudden ad hoc meeting at the Blaesheimer "Cohsen" in Strasbourg. By now, these things have become routine. But the unexpected private visit by the

President at the chancellor's home in Langenlorsbach at the height of the Afghanistan crisis on a Sunday last March did raise a furor once again.

What does Giscard think of the value of his relationship with his friend Helmut ? The President was quite precise:

"There are three aspects of particular importance, it seems to me. First, the speed with which we tend to discuss a new problem-- how we manage to overcome complications before they have a chance to arise. Second, if we give our word, we keep it. On several occasions we were faced with difficult situations; but whatever promise was made was subsequently kept. Third, we always analyze and scrutinize every problem in depth and in great detail. This is also how we dealt with the fiscal problems of the European Community. We never adopt an improvised or dogmatic position. This is our working procedure which, to name an example, we also applied in the matter of establishing the European currency system."

Helmut Schmidt remembers his first personal conversation with Giscard with great satisfaction. This was in the summer of 1972, shortly after he left the Defense Ministry to take over the super-Ministry of Finance and Economics, succeeding Karl Schiller. Schiller, a difficult man who was both a genius and a prima donna, had frequently dealt with Finance Minister Giscard in a self-righteous, uncooperative way. Taking the advice of Karl Klasen, who was then president of the Bundesbank, Schmidt placed the relationship with Giscard on a completely new footing. He flew to Paris and paid his French counterpart an introductory visit. There and then, their mutual trust began and the base was laid for their future friendship. Their relationship stood the test soon enough during the international monetary crisis under President Nixon and the subsequent defense measures against the flood of dollars descending on Europe. It was then that the two began meeting privately. They met at Giscard's Paris apartment, at Schmidt's flat in Bonn or in a hotel, on the fringes of one international conference or another.

"Cher Valéry" and "lieber Helmut"-- this easy-going, friendly, comradely way of addressing each other at which many Frenchmen poked fun initially-- originated at that time. They also took to playing chess now and then. As to who wins, that is being guarded like a state secret. Giscard has a diplomatic answer ready. "We take turns winning. That is the whole truth." Of late, the chancellor has been playing on a Sevres porcelain set given to him by Giscard for his 60th birthday.

Immediately after Giscard took office as President at the end of May 1974, Schmidt, who had taken over as chancellor just a few days earlier, flew to Paris for a meeting scheduled on the spur of the moment. Unless we are misinformed, it was above all the chancellor who spoke at that meeting, outlining his views on defense problems to Giscard who was not as yet as conversant with foreign policy and security matters as he was. What was probably set down at that time as well: the procedures that would lead to mutual understanding. In fact, on the return flight the chancellor was already dictating instructions to his advisers on how consultations with Paris were to be conducted in the future.

That particular day marked a turning point in Franco-German cooperation at the highest level. The previous incumbents, Willy Brandt and Georges Pompidou, had had a difficult time getting along with each other. Time and again, Pompidou's Gaullist view and Brandt's social-democratic vision of a future Europe entangled the two in controversial and, in the end, fruitless dispute about conceivable constructs and institutions of a latter-day European political union. In addition, Pompidou was constantly jockeying for political advantage within the European Community.

Schmidt and Giscard have paid precious little attention to such matters. They are both by nature pragmatists and rationalists. Giscard, who has led the Independent Republicans for many years, did serve in high positions under the Gaullist regime on several occasions, but as a member of a minority within the majority coalition and with a number of serious reservations. He was never a Gaullist, except perhaps in the sense of Andre Malraux's dictum: "Every Frenchman was and is and will remain a Gaullist at heart." At any rate: from the very start the two men conceded to each other great differences in temperament, in their interests and in the consideration to be given to domestic politics. "That was the basis of our cooperation and it still is today," the chancellor says-- and Giscard agrees.

The personal contrast between the two men is considerable. But opposites, Schmidt says, can also attract each other; they can even complement each other. Giscard was born into the elite. For centuries his family has belonged to the upper class although they did not become members of the nobility until Giscard's grandfather acquired his title before World War I through ownership of land in the Auvergne. Ecole Polytechnique with distinction, Ecole Nationale d'Administration and "Inspecteur des Finances"--

these typical dilettantes in the interest of a poster of the French elite guaranteed to Giscard a future full of promise. Since 1952, the President, who now is 54, has been active in political life. At the age of 30 he became a deputy; at 33 he was named state secretary and at 36, finance minister for the first time.

Hobbies Which Unite

Giscard has a liking for expensive pastimes such as big game hunting. He has a discriminating taste, placing great value on the classic severity of conventional representation while taking time to attend to ornamental detail. This even includes the selection of prints from the Louvre reproductions of which grace the Elysee menus. The ritual to be followed at the two-man summits is part of Giscard's repertoire; it calls for a festive supper complete with elegant speechmaking.

This type of thing does not run in Helmut Schmidt's blood. "I stem from a petit bourgeois environment," he says. His career, however, has been no less dramatic than Giscard's. And in international renown, he surpasses the French President. Above all, he is a workhorse; his authority is based on his leadership qualities-- pomp and circumstance are not for him. Giscard bases his authority much more on consent and admiration. During their working sessions, the otherwise highly disciplined chancellor tends to be rather easy-going. At their initial meetings, the French first had to get used to his directness, to his straightforward language, the rigidity of his views, his quick way of working, his candor and even his uninhibited way of handling his pipe and his snuff.

But above and beyond all their personality differences, Schmidt and Giscard are united in their deep affection for painting and classical music. This led to the chancellor's sending his French friend a gift of all the German phonograph recordings made of the music of Bach, the composer he loves best aside from Mozart. The admiration the two leaders have for each other is genuine. The chancellor is impressed by the worldliness which characterizes Giscard and which is rooted in the great French traditions and a proud, unbroken sense of history. For his part, the President holds Helmut Schmidt in high esteem, identifying him with efficient business management, the sensible public goals and the relaxed social climate in the FRG.

Just the same, Giscard has never yet called himself a Germanophile, all his professions of friendship notwithstanding. As for Schmidt, in an after-dinner speech at the Elysee in early February he recalled the major events of his life, explaining how and why he became an Anglophile and an Americanophile in turn and at length a Francophile-- which was music to the ears of his French listeners. In this same speech, he created quite a stir by characterizing his cooperation with Giscard as follows: "Out of this cooperation, my dear friend, a deep, personal friendship has developed which, I believe, will endure as long as we live."

This did make people sit up and take notice because the Hanseatic chancellor is not the man to make an excessive show of his emotions. When Schmidt and Giscard welcome each other by putting their arms around each other's shoulder, they tend to give a restrained and decorous impression. Only once, during the four-man summit at Guadeloupe, the President drew the chancellor close for an accolade and kissed his cheek. It is not too likely that Schmidt let himself be stirred by a momentary emotion when he made that speech last February. At that meeting, Giscard and Schmidt did agree on a most remarkable joint declaration on Afghanistan. But even the most fervent Bonn supporters of close relations with France sometimes ask themselves whether Helmut Schmidt may not be making too much of his close personal ties to the President and whether the latter can really be counted upon to reciprocate these feelings in full measure. Some who have doubts on this score occupy high positions among the Bonn advisory staffs.

In Paris, critics and doubters are easy to find. Initially, there was aversion against Giscard's close relationship with the chancellor; at the time the President was even being disparaged as an agent of a foreign power. By now, this outlook is passe, due to the force of habit and to judicious corrective measures. But, on the other hand, the contention has never been dropped that Bonn is using good Franco-German relations as a screen behind which to pursue its efforts at achieving hegemony in Europe. There are many who reserve judgment on just how much of a strain the "bonne entente", as Giscard once called the Franco-German relationship, can actually withstand. As a Paris political scientist and expert on French affairs has put it: "There is not enough support-- on the left, on the right and among the intellectuals."

The chancellor, for his part, is unwilling to go into such interpretations. At any rate, a Paris note has shown that 57 percent of the French population would envisage a final Jewish war as a Jewish war. A poll conducted by the newspaper Le Figaro last year revealed that 58 percent of those questioned judging alone was to the fact as a rather good thing as against 19 percent considering that a rather bad idea.

Those who attended the working sessions of the two-man summit are impressed by the complete master in the exchange of views, by the climate of cooperation and by the amount of work that gets done. Both Schmidt and Giscard are quick thinkers. Their intellectual faculties are somewhat similar so that they do not need to waste time on preliminaries. They converse with each other in English; a conversation in either German or French would not be possible for them. They when they come up against really tricky problems do they bring in a young French interpreter. A remark is kept of some of the transactions; but some others are explicitly kept off the record.

Schmidt himself calls this cooperation inseparable and says he would not do without it. "The way Giscard and I cooperate in world affairs and foreign policy is quite unique in my experience," he says. "One reason for it is the personal friendship between the French President and myself. The other is that we both know that both countries stand to gain from close cooperation. And, finally, we are agreed that despite our friendship neither state should sacrifice any interests of its own or of its people. This outstanding cooperation has now been going on for 8 years."

In Adenauer's and de Gaulle's time there were always obstacles, not only due to conflicts of interest but also because of stated considerations. Many of these problems are no longer of any consequence. But whatever happens, France will always retain a threefold advantage: she is a power in possession of strategic nuclear weapons; she is one of the powers protecting Berlin, and she has the vote in the U.N. Security Council--not to mention the strategic presence of France in Africa and her showing one flag in the Indian Ocean.

The chancellor is fully aware of this at all times. Giscard has never referred to it directly. But he has said that France is weaker economically but stronger politically than the FRG. There is little sense in saying the other. France

1962 not have to worry as much about Munich and had more latitude in foreign affairs. Also, Giscard has never left any doubt about the fact that the thoroughly modernized French nuclear arsenal is not just a matter of national pride. France's nuclear weapons could annihilate 50 million Russians and Moscow is aware of it.

Aside from the question as to who is stronger economically or politically--the Franco-German partnership has above all increased in importance as the two Americans increasingly as a factor of global significance and as America also loses its influence as a leading power in economic and currency matters. Bonn and Paris are seeking to fill a vacuum and to protect their own interests more in view of the instability of American foreign policy. Small wonder that they have pulled even closer together as a result of the international crisis arising from the Russian invasion of Afghanistan.

At the same time, Schmidt and Giscard are at pains to keep the line open to the Russians so as to soften any repercussions that conflict might have on Europe. They have thereby angered and disappointed America. But even before that there were divergences of interest, above all since Carter took over as President: the human rights policy as long as the President held to it; his erratic policy toward the Soviet Union; American demands to set policy on the exportation of West European civilian nuclear technology; his economic policy. Conversely, the establishment of the European currency system has made the White House quite unhappy.

When Schmidt and Giscard took office 6 years ago, they thought things would turn out differently. At that time, the French President had plans for placing France's relationship to the United States on a new footing. While adhering to national independence as a foreign policy must, he was aware of the marks left on Washington by de Gaulle's "grandeur" policy and Pompidou's obstinate nationalism in foreign affairs. Schmidt did what he could to help Giscard liquidate this heritage. In Gerald Ford's and Henry Kissinger's time, he used every trip to America to arouse understanding for France, succeeding best of all with Kissinger.

What is left of that time is the continuing, close coordination of policy toward America--within the limits of France's special position in NATO and the FRG's dependence on the United States in matters of security policy. For some time, Schmidt and Giscard concentrated and, for that matter, were

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all trials. A line between agreement, but only in the
agreement of other problems of which the 1954-55 session in
the case of Ireland.

For a time during the sixties, Bonn seemed entangled in a
debate about the alternative "Atlantic or Paris" even
though the Federal government never wavered in its loyalty
as an ally of the United States. Today, things are different.
The chancellor never lets the small French ally as to the
overriding importance of the United States and the security
of the FRG. But with regard to security policy the chancellor's
estimate of France's importance has moved in several degrees,
now ranging "right behind America." That he now takes this
position is due both to his agreement with de Gaulle on foreign
policy, to his faith in the latter's reliability and to the
growing uncertainty concerning American goals and leadership
capabilities.

The Franco-German partnership, however, cannot simply be
summed up in a catch phrase. Close cooperation and open com-
petition - at times even rivalry - is well as sharpening
differences of outlook lead a side-by-side life of their
own. De Gaulle, for example, said a year ago "we can only
hope to survive as a major European power and an industrial
power, if we outstrip the German economically." But, before
addressing this appeal to the French nation, he consulted
with the chancellor as to not to let any ill feeling arise.
This is a goal De Gaulle pursues without wavering. The exist-
ing economic disparity is at variance with his conviction
that a political partnership must be balanced in every re-
gard. But in contrast to his preferences he has never voiced
openly - at least not publicly - against the possibility of
Nasser's using its economic might to the detriment of its
European partners, of trying to gain greater influence in
the Community or going it alone in the field of geopolitics.

Today, France receives 60 percent of her imports from the
FRG; the corresponding figure for the FRG being 11 percent.
France's annual trade deficit amounts to 27.7 billion, aver-
age wages in France are much lower than they are here and
yet the French are much wealthier than we.

Placing the economic gap is viewed by De Gaulle as an internal
French problem and not a bilateral problem. Major achieve-
ments in the energy field are meant to help offset this goal.
During the course of this year alone, five new nuclear power
plants will be opened and another seven this year.

Giscard's balance theory also calls for approximate parity as between France's conventional forces and those of the Bundeswehr-- at least they should not be markedly weaker. While this demand of Giscard's is primarily meant to calm French political idiosyncrasies, he knows that it meets with approval in other parts of Europe as well.

No thought is being given for the present to expanding Franco-German cooperation in defense matters apart from joint production of arms. This applies equally to the establishment of security-political institutions without a military basis. From time to time there are wild speculations, as there were in Paris last fall, when Giscard's confidant, the former Minister of Interior Poniatowski, came out in favor of having Germany participate in France's nuclear forces. This particular suggestion was shot down almost immediately by Giscard himself, who stated in no uncertain terms: "I categorically reject any proposal calling for French participation in providing the FRG with nuclear weapons. Such a step would not be in the best interests of Germany, of France, of Europe or of Europe."

To be sure, this is no topic for discussion between Bonn and Paris. France's exclusive membership in the nuclear club has, in fact, helped overcome traditional French reservations concerning an equal partnership with the German neighbor. Giscard is no more ready than his predecessors to enter into discussions about sharing the arsenal. He even rules out any French participation whatever in international talks on limiting strategic nuclear weapons, including SALT III. The President considers France's strategic weapons to be equal technologically to those of the two super-powers; but the arsenal is so small that he does not want to see it reduced under any circumstances.

Schmidt appears to be willing to accept this position, although France's policy of retaining the nuclear arsenal intact at all costs may make future East-West talks about missiles in Europe more difficult. At the same time, Giscard goes along with the Chancellor's commitment to CEEF although he considers the CEEF area to be too small militarily but too large with regard to the impulses toward a neutralization of Central Europe which the conference tends to spawn. His own proposal for an all-European disarmament conference is designed to do away with these weak points.

It is not only with regard to West Germany's position that interests tend to diverge; the two countries also view their relationship to Moscow in a somewhat different light, which is something the French do not expect to change. The reasons for this can be traced to geography and the aftermath of the war. The FRG borders on the Russian empire; the country labors under the burden of being divided in two and under the potential danger of a conflict over Berlin. This re-stricts Bonn's maneuverability. France, on the other hand, is farther removed from Soviet military might, if not beyond being threatened. At any rate, she is not subject to the problems of immediate contiguity and thus, by her own estimate, not subject to successful pressure on the part of the Soviets.

This appears to be the reason Mr. Giscard's worrying more than the Chancellor about a potential rivalry between Bonn and Paris with regard to Ostpolitik. After all, the fear of an independent German Ostpolitik has been part and parcel of French political thinking for a long time. There are differences of opinion as to whether Giscard's surprise meeting with Brezhnev in Warsaw falls into the category of Kavalries. There are many people in Bonn and in Paris who are convinced that the President simply wanted to prevent Oswald from meddling a damn on him. The Chancellor himself prefers to remain silent on the subject.

Differing Interests

For all that, one has to keep in mind that the two principals have agreed to disagree, if and when their interests diverge. This helps them bear up under commitments such as Giscard's trip to Warsaw which was kept secret until the last moment. France's backing out of the Giscard-Seydewitz the weekly European Community compromise with England, engineered by Bonn and viewed with disapproval by Paris.

When asked about the most important Franco-German achievements on behalf of EC, the Chancellor assigns first place to the European currency system established last year. Earlier attempts at setting stable exchange rates, such as the "snake," had failed twice because the French franc was too weak. Three years ago, Schmidt pulled a rabbit out of his hat -- the idea of a new currency union. Giscard followed up immediately and proceeded to contribute a great deal more than the Chancellor to making the system work -- and today the franc is stable. At the time, both men were equally popular in Washington's lobby in letting the bottom drop out of the dollar for purely domestic

tic reasons without in the least considering the dollar's role as the world's leading currency and the effect the dollar's decline would have on America's political standing in the world.

And so, the two men arrived at a common position in order to achieve a certain amount of European independence in the face of the dollar's decline. The long-range effect --quite unpleasant for the Americans-- may possibly be that the European Currency Unit (ECU) is accepted as a reserve currency world-wide alongside the dollar.

The way Schmidt handled this particular project is typical for his European strategy. He knows that major Community projects can be pushed through only if he does not figure as their sole author. In the case of the currency system, it was Giscard who came to his aid. And it was the other way around in the case of the European Council, the regular summit meeting of the Community. Practically all further developments of any consequence among the Nine can be traced to efforts of the Franco-German twosome. It remains to be seen whether they will succeed in effecting the long overdue reform of the agrarian market, which still eats up billions for no other reason than to promote a totally senseless surplus production. This would be an exacting test of strength. The chancellor feels like trying-- but not before the French elections next spring.

One is prompted to ask why the chancellor and the President do not use their powerful position in Europe and their good rapport to bring about a stronger industrial structure for EC. But it seems that they both feel that an effort such as this, uncertain of success, would waste a lot of energy and that it would make more sense to strengthen Europe's internal and external position by pragmatic means.

There is hardly any doubt but that European independence will be decisively determined by the vitality of the Franco-German partnership both in international crisis situations, and in relations with the United States as well as with the East and the Third World. How far this partnership and the European visions of Schmidt and Giscard will carry, no one can say at present. The outlook is not bad. "I am very proud of the fact," the chancellor says, "that I have achieved a degree of Franco-German cooperation such as never existed in Europe before."

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SHARP DROP IN TOURISM REPORTED

Athens ATHENS NEWS in English 12 Jul 80 p 9

[Text] Tourist arrivals in Greece during the month of April have declined by 25.9 per cent compared to April 1979 while a corresponding drop (by 13 per cent) was also recorded as far as Greek tourists using facilities in this country is concerned, the National Statistics Office of Greece announced Thursday.

According to the figures published for the month of April 1980: 491,782 tourists arrived in Greece compared to 639,991 last year. Of these 119,450 were Greeks from abroad compared to 130,090 last year.

Press sources said that among the reasons for the reduction in the number of tourist arrivals are: (a) increased cost of flights, accommodation, etc., (b) the economic recession, (c) the sharp drop in tourists from the United States of America and (d) political tension in the Middle East, Afghanistan, etc.

Departures by travellers in the month of April also recorded a decline of 12.9% (foreign departures declined by 14.5% while Greeks going abroad declined by 8%).

Travellers arriving in Greece during the month of April used the following means of transport:

111,951 (i.e. 63.4%) arrived by air.

84,411 (i.e. 17.1%) arrived by road.

81,025 (i.e. 16.6%) arrived by boat.

14,395 (i.e. 2.9%) arrived by train.

These figures compare to the month of April in 1979 as follows:

404,322 (i.e. 63.2%) arrived by air.

116,531 (i.e. 17.9%) arrived by road,

127,918 (i.e. 16.8%) arrived by boat,

13,518 (i.e. 2.1%) arrived by rail.

The figures for April 1980 compared to the same month in 1979 show that travellers opted more for the airplane and boat as opposed to using their cars or arriving by train.

Countries which increased the number of tourists arriving in this country in April 1980 compared to the same month last year were the following:

USSR (18.7%)

United Kingdom (27.5%)

Sweden (9.9%)

West Germany (6.3%)

A decline in the number of tourists in April 1980 compared to the same month in 1979 was recorded by the following countries as follows:

Austria (16.1%)

Belgium (67.5%)

Switzerland (38.3%)

Holland (61.8%)

Spain (39.5%)

Italy (38.1%)

Japan (36.4%)

United States (59.4%)

Australia (19.2%)

Brazil (66%)

Of the tourists who visited Greece in April 1980, 42,483 (11.3%) arrived on cruises compared to 58,950 last April, i.e. a decline of 27.9%.

Based on continents fewer tourists arrived in Greece from:

Europe (15.3%)

Americas (55.3%)

Asia (39.8%)

Africa (36.1%)

Oceania (26.7%)

Meanwhile tourist arrivals in this country during the first four months of 1980 (January-April inclusive) amounted to 858,124 compared to 966,357 during the corresponding period in 1979.

BRIEFS

HOME PURCHASE TAX BREAK--Legal stipulations concerning the requirement to offer evidence on the source of income when buying a first, second, third or other home have been completely abolished. The property transfer tax for property of a value up to 1.5 million drachmas has been terminated with an increased write-off of 500,000 drachmas for every child in the family and a further reduction of 10 per cent if the property is within the Athens or Salonica areas), Finance Minister Miltiades Evert announced Thursday. Mr. Evert clarified that no property transfer tax will be charged on property worth up to 1.5 million drachmas (plus the cases listed above) even if the property in question is valued at more than this amount. He said that property valued at over 4 million drachmas would be taxed at 11 per cent while property valued at over 4 million drachmas would be taxed at a rate of 13 per cent for the value over 4 million drachmas). The measures in question are expected to ensure the support of the average Athenian family which had been finding it especially difficult to buy their first home. The measures will especially aid families with a large number of children, because for every child, there will be no tax for property 500,000 drachmas on top of the 1.5 million drachmas tax-free margin. Recent strikes by construction workers had been aimed, inter alia, at getting the government to support their demands for facilitating the purchase of homes, and recent measures announced by the Minister of Finance are expected to go some way to meeting their demands, in light of the expected increase in construction activity. The measures announced by the Finance Minister are also expected to meet the approval of the Mortgage Bank of Greece and other savers, who will now be able to purchase a home without having to pay out a large sum in tax. [Text] [Athens ATHENS NEWS in English 12 Jul 80 p 9]

MACALUSO DENIES PCI PERSONAL ATTACK ON COSSIGA

Rome L'ESPRESSO in Italian 15 Jun 80 p 23

[Interview with Emanuele Macaluso--date and place not given]

[Text] Question: The Honorable Cossiga has become your principal target although you are a member of the part of the DC [Christian Democratic Party] which is most open to relations with the communists. Why is that?

Answer: Our principal target is and will remain the present group of Christian Democratic leaders which has moved the axis of the party to the right and succeeded in imparting a course in conformity with that of the government to it. Mr Cossiga has not differed substantially from that orientation. Either he has accepted it or he has endured it. As for the actions of the investigator, our position has not been one of condemning Cossiga but of asking for a further investigation which will clarify the responsibilities. We have not made a personal case of it; we would have behaved in the same way with any other chairman of the Cabinet. It will be possible to get a clarification of the situation by means of the debate in Parliament, and our attitude will be one of looking at the facts without any prejudice.

Question: However, in regard to the dispute with Sciascia, Cossiga took Berlinguer at his word. You did not.

Answer: Cossiga knew how matters were because he was the minister of the interior during the period when Moro was held prisoner and assassinated, and he knew that Berlinguer did not have any information which had not been made public by members of the government and party leaders. In the case of the investigation, matters are not the same. The problem arises out of the discrepancies between Cossiga's deposition and that of Donat Cattin. When one asks for a clarification of the facts it does not mean that one is condemning somebody.

Question: To what are you referring when you speak of a better government?

Answer: For us, a better government would be one which would fully represent the unity of the democratic forces. Nevertheless, we have always

taken existing facts into account, and we regard the political orientations of the present government as distinctly negative, leaving its composition out of consideration. A government in which we were not included--and toward which we would remain in opposition--is conceivable. I am speaking of a government which, nevertheless, would give more consideration to the relations between forces and the orientations to which the left as a whole gives expression and which would accept a real confrontation, and not just a verbal one, as the present one does.

Question: Is there any basis for the Honorable Pietro Longo's idea that you are thinking of a revised edition of the single-party government?

Answer: We have stated that we consider it impossible to repeat the experiences of the three years from 1976 to 1979 with respect to our position in Parliament. Consequently, there is no basis for the theory of the secretary of the PSDI [Italian Social Democratic Party]. I repeat: the composition of the government certainly is of importance, but governments also have their programs and their positive actions.

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CRAXI INTERVIEWED ON PSI POLICY, RELATIONS

Rome [L. SETTIMANALE in Italian 10 Jun 80 pp 14-15]

[Interview with Bettino Craxi by Massimo Tosti--date and place of interview not known]

[Text] A year ago he promised those who voted for him (if he managed to increase their number) that the "governability" of this country would be ensured. He did not say how, but he said he would do whatever was necessary to keep his promise, and he did keep his promise, bringing the Socialists back into the government after years of deprivation. He brought Italian socialism back to Europe by drawing close to Schmidt and Mitterrand. In his personal Bad Godesberg, he did not confine himself to putting the Bible of the 19th century up in the garret. Since he was Craxi, he banished certain old caryatids of the party, too. Last January his ally, Signorile, tried to hamper his progress by promoting the election of Riccardo Lombardi to the chairmanship of the party. The matter ended as it had to do: Lombardi was dismissed from office and Craxi, since he was Craxi, also succeeded in breaking up his alliance with Signorile, which had become too inconvenient.

Told in this way, it seems to be a story with a happy ending--the chronicle of a brilliant career, but not everything is roses and other flowers (pinks, that is). The left wing of the PSI [Italian Socialist Party] is still strong, and it is capable of having its say. The frontist temptations are not eliminated forever. The idea of a five-party government or of the chairmanship of the Socialist council has not yet faded, but it has not yet been put into effect. The PSI was suffering from strabismus. The oculists have succeeded in doing something, but they have not yet eliminated the defect forever.

Bettino Craxi, a Milanese 46 years of age and secretary of the PSI since July 1976, is a principal character in a story, or drama. His battles and polemics have made news regularly--from his statement in favor of negotiations on the occasion of the kidnapping of Moro to his hypotheses on the "great old man"--the "political brain" who was allegedly guiding Italian

terprise. In the current electoral campaign, his personal controversy with Berlinguer has at least served to enliven the atmosphere in a pre-election period which certainly has not been one of the brightest.

Question: You have said that it was the PCI which opened fire, for reasons having to do with the election, in the dispute. Don't you think that basically it was the return of the PCI to the government, and consequently the breaking up of the leftist front?

Craxi: The PSI asked the PCI to be a partner of the parliamentary majority, just as, in July 1979, on the occasion of the conferring of the chairmanship upon me by Pertini, I asked for their support, and just as, even earlier, in the seventh legislature, I urged them not to assume a rigid position in the "government or opposition" structural arrangement. Then the PSI--independently, of course--made its decisions in regard to the actual situation which had come into being. A direct Socialist intervention became necessary to rescue the legislature and ensure a sufficient minimum of governability. An opposition party must oppose. It is important not to take the wrong steps and not to use arguments which are harmful and are of the nature of pretexts. It becomes not very credible and not very trustworthy in that way.

Question: You promised "governability" on the eve of the political election last year. Who paid the highest price for it--you, in your relations with the DC (Christian Democratic Party), or the Socialist left wing in its relations with the PCI?

Craxi: We did what we had promised to do. We did not make our decisions with the idea of making a sacrificial offering but in a spirit of obligation to the nation's institutions and ready to accept the responsibilities which fall to our lot. That holds good for a large portion of the party. Recalling that the decision to enter the government was approved by a large majority within the PSI is something that is worth doing.

Question: Have the left's alternative projects faded away completely?

Craxi: There are political prospects which have a historical significance and there are existing political conditions in which it is necessary to operate realistically. It does not seem to me that the conditions exist under which an alternative of the left could be proposed and carried out.

Question: What does the PSI promise after the election is over: national solidarity or a five-party government?

Craxi: First of all, continuity in the experience of governing as soon as it has begun to govern. This came into being as a result of its being proposed again that a spirit of national solidarity be adopted and of the issuing of an invitation to national solidarity. That spirit and the possibility of national solidarity are being crushed and blighted by a

very disputatious and rigid communist attitude, creating a situation in which the more conservative sectors of the population can become involved more easily.

Question: Voting is done by the regions. I should like to ask whether the "red councils" can be abolished as a consequence of the election results or whether their establishment, as a patrimony of the revolution which was shaped on a regional basis, is irreversible?

Craxi: Where the administrative experiments of the left have turned out favorably and where the electorate expresses a favorable opinion, we will maintain our offer of cooperation.

Question: You are accused of "collaboration" with the DC. Is that true or false?

Craxi: We have made an alliance with the DC as far as governing the country is concerned, and a new experiment in cooperation with them is under way. That fact alone is not anything that anybody can complain about since allying themselves with the DC is something the PCI, on the one hand, and the PSDI [Italian Social Democratic Party] and the PLI [Italian Liberal Party], on the other, are aiming at.

Question: Let's return to the communist question. In your opinion, how much credibility will the communists, who supported Andreotti until the day before yesterday, risk on the left by persisting in stubborn opposition to a three-party government?

Craxi: An opposition which would vary according to what government was established was announced in advance. We now have a government with a strong Socialist presence. Therefore, if the statement made by Giorgio Napolitano to the Chamber of Deputies, in which he said, "The presence of the PSI in the government represents something new which is important politically," had any meaning, an opposition of a quite different nature was a legitimate expectation.

Question: Can the PCI call upon the trade unions to make life more difficult for the government again?

Craxi: The days of the trade unions as the driving belt of the party should be over for everybody.

Question: Until a short time ago, there was a lot of talk about rotation. It is a question which you would bring up for discussion after the election, as was predicted. And how would it be put into practice? By rotating the chairmanship of the Socialist Council?

Craxi: From one point of view where matters of principle are involved, and especially after 30 years of uninterrupted running of the government

by the Christian Democrats, the position is clearly critical. But we will not bring it up for discussion after the election. If the electorate agrees to it, as I hope it will, we will encourage the government which has just been set up to develop its role as a guardian of democracy and to put the urgent problems of the program into effect. We have entered a period in which the situation in regard to economic and social prospects is a delicate one, and we are now in a bitter but decisive phase of the struggle against inflation. The one thing we do not want to do is to get a full-scale discussion going again and precipitate a crisis.

Question: Has Italy placed its trust in the Italian economy again in order to save itself, or does it need a new course along which to develop? And in what direction will the three-party government move, in your opinion, where this question is concerned?

Answer: We cannot entrust the future of the country to the Italian economy or to any method of managing just to get by. The government must intervene in the industrial crisis at the most critical points with measures calculated to bring about a restoration of the health of the economy and to reorganize and support it.

Question: When traveling to Lombardy, you did not realize how hostile you were in Lombardy, at a Central Committee meeting last January, you quoted a harsh judgment of the former Socialist Council chairman by Senzi. Can you repeat it for me?

Answer: I will confine myself to referring you to the text of the speech Senzi gave when the last session of the Legislature was opened, on the occasion of a debate concerning confidence in the incumbent government. You can bring it out again and publish it, if you like. Senzi was a man of great and varied judgment.

Question: I will quote more of your own words. Senzi called you and the long coalition which Andreotti built one position of isolation or defense, and consequently the long period during which he was in control of counter-espionage, which it was possible to recognize functions in power within this country. And I emphasize the fact that it was Andreotti. What are the differences between the foreign policy of Andreotti, De Martino and the PCI and that of the PSI and Senzi?

Answer: I can repeat these last position in conversation, and that position is critical, in large part, with that of the SPD and of the West German Social Democratic government. There is no distinction, and there cannot be any alternative, to peace, but peace is not government without security and without reliable alliances or military power which are controlled and capable of being controlled. That is why we have favored the decision to subordinate the guided missile system for the National Security. Just as we favor trying every available path of negotiation in order to bring about the halting of both the production and the installation of new weapons that we say both sides intend.

LIBYAN RADIO STATION CLOSED IN DISPUTE

LIBYAN PEOPLE'S DAILY IN ENGLISH 1 Jul 80 p. 2

110000) A SHORTLY after the second time in four days, the Libyan solidarity radio today was cut off the air by the Libyan Premier, Muammar Qaddafi.

The silence of the station, which used to broadcast from the top of a mountain overlooking the capital, is eloquent evidence that relations between Libya and the West have once again deteriorated to rock-bottom level.

Qaddafi ordered the Libyan station to close down after Libya yet again failed to honour a promise to reach a settlement to settle the Malta-Libya dispute on the grounds that the International Court of Justice in The Hague.

This long-standing dispute has traditionally held upon an agreement between the two sides to reach a settlement. Qaddafi hoped to reach a settlement with the Americans and the Europeans, which would prevent drilling concessions in the area.

During Qaddafi's last visit to Tripoli in May this year, he obtained a pledge from Staff Major Abdulrahman Jalloud—Libyan leader of the People's General Congress—that the Congress would ratify the accord by the end of June 1980.

Qaddafi's order to close down the Libyan station came a few hours before the deadline set by Jalloud.

NAH DP 4

OFFICIAL COMMENTS ON PROSPECTS FOR TRADE WITH PRC

L01412/1 Stockholm SVENSKA DAGBLADET in Swedish 10 Jul 80 p 17

[Report by Nina Stenon: "Chinese Trade in New Phase"]

[Text] Swedish trade with China will multiply greatly during the eighties and be very different from what it has been up to now. This is the prognosis made by Per-Olof Lanning of the Export Council, which is now busy with a campaign to boost trade with China.

The agreement which Volvo has just finalized with China on reciprocal trade totaling 500 million kronor a year is an example of China's new trade policy, Per-Olof Lanning explained. Since last year reciprocal buying has become the new deal for the Chinese. Every large import agreement should ideally be compensated by correspondingly large exports of Chinese raw materials or finished products.

Per-Olof Lanning, who is responsible for trade with China at the Export Council, is optimistic about Sweden's chances of making gains in this context, despite the fact that trade with China only amounted to 50 million kronor last year. And despite the fact that the first 3 months of this year show a 14 percent drop compared with last year.

"We are now getting into completely new areas, and it is here that we have our best chances--not in the traditional sectors of iron, steel and engineering products."

Sweden has at present four large trade projects with China at different stages of completion.

The most immediate is a joint-owned Chinese-Swedish drug company. Five Swedish drug producers are involved here.

A big mining project is also being discussed. China wants to speed up its iron and copper production. Sweden has expertise and equipment in this field.

ELECTRICITY OUTPUT SHOWS ON DECLINE

Istanbul MILLI GAZETE in Turkish 3 Jul 80 p 8

[Text] Electricity production in thermal power plants for the first quarter of this year declined 10 percent relative to the same period last year.

Parallel to the production loss in thermal plants, a drop has appeared in the production of hydroelectric plants. Output for the period of January-April declined 77.7 percent at the Sirfanli Dam and 32.7 percent at the Sariyer Dam. Production at these dams was down for 1980 due to a drop in the level of the lakes. The reduction at the Catalagzi Thermal Plant, which registered an 18.6 percent decline for the first quarter, stemmed from the plant's undergoing maintenance this year.

With regard to 5 hydroelectric plants whose design capacity is 100 megawatt hours, despite a fall in production at 3 of them during the first quarter of 1980 as compared to the same period last year, one plant exceeded the program goals set for the first quarter of this year. Program and production (goals) for the hydroelectric plants are: Gebirgoyul 121.0 percent, Gusan Ugurlu 266.9 percent, Sirfanli (1) 71.6 percent, Ushan 107.6 percent, others 96.1 percent.

Thermal plants were far below program goals. It was reported that only at the Ambarli Thermal Plant was the output level set by the program exceeded by 2.1 percent.

While production reached 78.4 percent of the first quarter program (goal) at Catalagzi, a thermal plant with a design capacity for over 100 megawatt hours, it was 41 percent at the Seyitomer Thermal Plant, 51.1 percent at Atilataraga, and 68 percent at Yucubilek.

While production declined 45 percent during the first quarter of this year relative to the same period last year at the Seyitomer Thermal Plant, 79 percent of the program goal for this period was achieved. The output drop at this plant was due to a breakdown in Unit 2.

Talks concerning the first nuclear power plant to be built at Akkuyu are continuing between the Turkish Electric Power Enterprise and Sweden's ASEA Atomic Power Company. It has been reported that the talks, which previously concentrated only on the nuclear package and the turbine generators for the plant, now are continuing within a broader framework.

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BRIEFS

SANCAR AS NEXT PRESIDENT--It has been reported that the final stage has now been reached in the presidential election which has been going on for nearly three months with no result. According to word leaked by political circles, former Chief of Staff Semih Sancar, appointed quota senator by Acting President Ihsan Sabri Caglayangil, will become a presidential contender. The senatorial appointment of Sancar, whose name was almost never encountered among (possible) presidential candidates until yesterday, was assessed by political circles in this way. "An accord has been reached among the parties on the election of Sancar as president." Sources particularly close to the JP and RPP are certain that Sancar, appointed quota senator by Caglayangil and Chief of Staff during the 1974 Cyprus Peace Action, will be elected president. It is reported, therefore, that Fethi Turun will be withdrawn from contention after Sancar takes the oath and assumes his duties in the Senate and that after various contacts Sancar will become a presidential candidate. Moreover, according to word leaked by political circles, former Chief of Staff Sancar is the only candidate able to muster votes from all parties and groups and able to be elected president in the shortest time. [Text] [Istanbul DUNYA in Turkish 14 Jul 80 p 5]

NEW POLITICAL PARTY FORMED--Some members of the Democratic Party, which disappeared from Turkish political life by disbanding itself, have announced they have formed a new party under the name "Free Democrats Party." Muzaffer Sonay, who assumed chairmanship of the party, said in a statement that the party has nothing to do with ambition for power and prestige but is a political body established by men of the people to serve the people. Tefvik Kurma, known as "Dapper Tefvik" and formerly of the Istanbul Police Department, Halil Ozden, Niyazi Seker, Arif Kozek, Feridun Gulerer, and Suat Ozkesin were appointed Deputy Chairmen of the party. It has been reported that the general headquarters of the party, whose organizational work is said to be completed, is in Istanbul and that there are 36 provincial party representatives among the membership. [Text] [Istanbul DUNYA in Turkish 21 Jun 80 p 5]

BRIEFS

ANTARCTIC SURVEY BUDGET PLEA--Fears that Britain's traditional influence in the Antarctic could be lost were expressed by Lord Buxton of Ailesbury in the Lords yesterday when he said the Government should reconsider any proposal to cut the British Antarctic Survey budget. Other nations, east and west, were massively increasing their expenditure, he said. Even a marginal cut could have serious results for British interests in the future. Baroness Young, Minister of State, Education and Science, agreed that the National Environment Research Council had a tentative proposal slightly to reduce provision for running costs of the British Antarctic Survey in 1982-3 which was costing 4.4 million pounds--10 per cent of the council's grant--in the current year. The council could apportion its grant-in-aid as it saw fit. Outside the normal survey provision it planned capital expenditure of 3.1 million pounds for renewing ships, aircraft and bases in 1982-3 so that the survey could continue. [Text] [London THE DAILY TELEGRAPH in English 20 Jun 80 p 12]

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